



Understanding and Managing Post-Retirement Risks

A series of reports presenting highlights from the Society of Actuaries extensive body of research on post-retirement risks and issues.



Aging and Retirement

Retirement Experiences of People Age 85 and Over

By Anna Rappaport

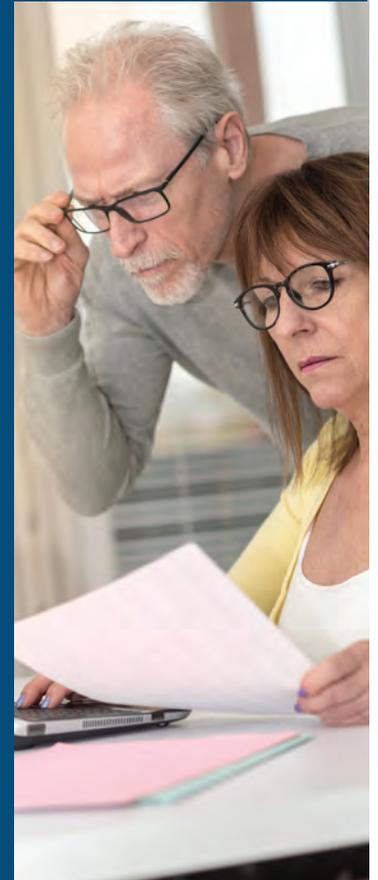




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Retirement Experiences of People Age 85 and Over

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

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

This SOA report focuses on findings about the post-retirement experiences of individuals over 85 years old, including changes that occur during retirement, the role of family and cognitive issues. Members of the SOA research groups have provided input as well. The content also reflects other research on how people fare throughout retirement and includes some national data on assets and spending. The highlights and key findings reflect 20 years of SOA post-retirement research and related SOA work, together with guidance about where to find more information.

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

In This Report

Risk Surveys

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

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

2017 Risks and Process of Retirement Survey: Key Findings and Issues

2017 Risks and Retirement: Housing in Retirement

Additional Reports from 2017 Risks and Process of Retirement Survey on Caregiving and Long-Term Care (to be published in 2019)

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

Focus Groups and In-Depth Interviews

The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups, Society of Actuaries, 2013

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

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

Committee Conversations

A Conversation on Dementia and Cognitive Decline, Society of Actuaries, 2018

Consumer Information

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

Women and Post-Retirement Risks, Society of Actuaries, 2018

Essays and Papers

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

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

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

Financial Wellness Essay Collection, Society of Actuaries, 2017

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

Retirement Section News Article

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

Understanding and Managing Post-Retirement

The realities for the population age 85 and over are different from what is often predicted. More people are managing reasonably well and better than would be expected from many projections about resources needed in retirement.

In addition, retirees are more flexible and resilient than often thought. For example, many whom SOA surveyed described themselves as frugal and seemed fine about it. Study participants indicated they accepted their respective situations and managed within the related constraints.

Even so, these older retirees indicated that they found it easier to adapt to financial constraints than to physical limitations. Some said that certain shocks in life were very difficult to deal with and that it was hard to plan for or manage these shocks very well. Many based their ability to manage not only on financial assets but also on help from family—a view that may be different among people who do not have family available to help with important needs.

SOA program research by retiree stage includes in-depth interviews with individuals age 85 and over (2017), surveys of individuals age 85 and over and of adult children of individuals age 85 and over, focus groups with individuals retired 15 years or longer (2015), in-depth interviews with caregivers of individuals retired 15 years or longer (2015) and focus groups with relatively recent retirees (2013). The interviews with age 85 and over retirees and the research with 15 years or longer retirees offer perspective on how people are doing and what they have done in retirement, as well as on what they are planning to do.

SOA program team members who have had extensive personal experience with very old retirees conducted qualitative research as well. This was done via an online conversation, some interviews in an assisted living facility and some interviews with contacts age 85 and over who were living independently. This work was supplemented by information from the literature.¹ In addition, SOA's biennial risk surveys, conducted since 2001, provided quantitative data on how retirees and pre-retirees view risk.

Critical insights also come from studies from diverse sources that have examined older age issues such as spending and asset changes during retirement. In addition, this report draws on an online conversation that the Committee on Post-Retirement Needs and Risks (PRNR) listserv conducted regarding dementia and cognitive decline in the older population as well as *Women and Post-Retirement Risks*, a 2018 SOA report on retirement issues unique to women who, not unsurprisingly, comprise the largest segment of the age 85 and over population. Still other references come from relevant SOA essays, public information materials and research.

As part of a SOA series covering several retirement topics, this report incorporates not only findings from the combined research but also insights about the practical experiences of SOA program members. Included are retirement ideas and observations for people at all ages as well as guidance about where to find more information.

Overall, the SOA's age 85 and over research has five components, as summarized in Table 1, on page 6.

1 See Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*; see also Rappaport, Anna and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*.

Many findings in the age 85 and over quantitative and qualitative research are consistent with findings from the 2015 focus groups that SOA conducted with individuals retired 15 years or more.

The practical experience observations cited in this report are generally compatible with the more formal studies the SOA has conducted but with one key difference: These observations provide more insight into the challenges

Table 1
 SOCIETY OF ACTUARIES RESEARCH INTO 85+ POPULATION
 FIVE SEPARATE COMPONENTS OF THE RESEARCH

STUDY	REPORT NAME AND SHORT DESCRIPTION	WHO CONDUCTED WORK AND HOW PUBLISHED
Preliminary Phase (2016)	<p><i>Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience</i></p> <p>Committee and online conversation (PRNR Group) about challenges and experiences: interviews of a few independent people and a few in assisted living facilities</p>	Interviews by two committee members; report in February 2017 Pension Section News by Anna Rappaport and Sally Hass
85+ In-Depth Interviews (2017)	<p><i>Post-Retirement Experiences of Individuals 85+ Years Old: A Report on Sixty-two In-Depth Interviews in the United States and Canada</i></p> <p>Formal in-depth interview study in U.S. and Canada of resource limited 85+ individuals, includes some interviews of adult children and dyads of children and adults</p>	Mathew Greenwald and Associates; formal report issued
85+ Telephone Survey (2017)	<p><i>Post-Retirement Experiences of Individuals 85+ Years Old: A Report of Surveys of Individuals 85 and Over and Adult Children with Parents 85 and Over</i></p> <p>Survey of 200 resource limited 85+ individuals by phone, group in better health than average population</p>	Mathew Greenwald and Associates; formal report issued; both surveys in one report
85+ Online Survey (2017)	<p><i>(Same as above)</i></p> <p>Survey of 200 adult children of resource limited 85+ individuals online, group in less good health than telephone survey group</p>	Mathew Greenwald and Associates; formal report issued; both surveys in one report
Cognitive Decline Conversation (2018)	<p><i>A Conversation on Dementia and Cognitive Decline</i></p> <p>Online conversation about cognitive decline, purely anecdotal; participants are PRNR group members</p>	PRNR project compiled by Anna Rappaport—report forthcoming

faced by family members who help their elders; the impact of fraud, hearing loss and daily money management; and differences in financial management between people in assisted living and those who are independent.

The survey results and in-depth interviews present much more extensive work and a much better picture of financial management strategies, including spending and asset patterns, than the anecdotal evidence from group discussions.

HOW TO ACCESS THE RESEARCH

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

The preliminary study was published in the February 2017 SOA Pension Section News; see <https://www.soa.org/sections/retirement/retirement-newsletter/>.

A NOTE ON SAMPLES* USED FOR SOA'S AGE 85 AND OVER RESEARCH

Although the findings provide insights from individuals age 85 and over and their adult children, the age 85 and over research was not based on a statistically representative sample of the entire U.S. over-85 population. Also, those who do not have children, or do not have children familiar with their parents' financial situation, are not represented in this survey.

Here are the parameters:

- The research group was selected among resource-constrained individuals, where financial assets were limited to \$400,000. Wealthier respondents were not represented. Also, sample quotas were set so that half of the sample had under \$50,000 in assets; this was done to promote understanding of the issues faced by a lower-asset population.
- The survey research covered the U.S. only, and the in-depth interviews covered the U.S. and Canada.
- The participants in the 85 and over telephone survey were 66% female and 34% male. Seventy-one percent were widowed. Ninety percent had children, and 77% had two or more children.
- The sample groups were age 85 and over and mentally and physically healthy enough to participate in in-person and telephone interviews. The need to be healthy enough essentially screened out individuals with significant cognitive decline or without sufficient health to participate in a survey. Sixty-four percent of this group said they needed some type of help, but only 8% needed help with activities of daily living.
- Participants in the online survey of adult children were split about evenly between sons and daughters. Parents over age 85 about whom these adult children were reporting were more than 70% female, either mothers or mothers-in-law. Ninety-one percent of the adult children had living brothers or sisters.
- The adult children who answered questions regarding their parents were required to have substantial knowledge about their parents' finances and situations. They reported that 56% of their parents had limitations that require daily assistance with personal care. As a group, the parents were less healthy and required a great deal more assistance than respondents to the age 85 and over survey of adults, which was a group likely to be healthier than the entire population at that age. The adult children sample was a group likely to be less healthy and more dependent than the entire population.

**This discussion applies to the surveys and the in-depth interviews conducted in the study done for the SOA by Mathew Greenwald and Associates. The informal interviews done initially included primarily people at higher asset levels with age being the primary constraint.*

The Big Picture

THE SITUATION AT AGE 85 AND OVER

The studies and collected experience do not show specific changes related directly to age. Many people age 85 and over have experienced a variety of changes, and they experienced those changes at different times and in different combinations. However, many more people reported needing help at older ages, with the need often seeming to increase with age.

Notably, people who live independently, and do not have significant cognitive difficulty, did not appear to change the way they manage their money. However, once people experienced cognitive decline, everything changed. These individuals often needed help with money management, driving and taking medication, and other aspects of life.

In addition, many elderly persons reported having hearing difficulties. This can create a variety of problems, which compound other problems. About 2% of adults ages 45–54 have disabling hearing loss, compared to 8.5% for ages 55–64, 25% for ages 65–74 and 50% at age 75 and over.²

To borrow from a time-honored idiom, health is the “elephant in the room” for older adults. Changes in health status often lead to declines in capability and the need for more help. Cognitive and physical changes can require the need for different types of help. Changes in health can easily dominate the situation, especially when they occur suddenly and unexpectedly.

For some families, long-term care and health costs are a huge issue. Health coverage usually does not pay for much long-term care, and the cost of long-term care can be devastating. Insurance generally does not pay for dental care and hearing aids. Some situations involve other uncovered expenses. Moreover, wide variations exist in whether help is needed, what help is needed, how much, when and for how long, especially since the person’s situation can change frequently.

THE NEED FOR HELP

People who reside in assisted living facilities very often get help with money management. Family members, especially children or other younger adults, often find themselves in the role of helpers, and they appear to be used more often than financial advisors. This happens even though family members are not always the best qualified to help (some may not be competent and some may not be honest).

The money management help that people need includes help with daily tasks like bill paying, as well as advice in making decisions and managing investments. Some professionals specialize in daily money management and bill paying, and some focus primarily on working with elders. By comparison, financial advisors generally do not provide this type of service.

Even if not disabled, the older population also often needs help with other important tasks. These include making doctor’s appointments, visiting doctors, running errands and performing some household tasks.

Couples often have a healthier partner to help the partner in need, although with some couples, both need help. With some couples, for instance, one person does most of the money management, while the other may not provide much backup.

² Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*, Pension Section News.

Family help is not available to substantial numbers of people, however. Some people have no children, and they may not have other family members in a position to help, for example. Others do have children, but the children may live far away or are not willing or qualified to help their parents. Single individuals may have no relatives, partners or close friends who can step in.

Those with no available family members may find it difficult to find a suitable person to help. They can sometimes engage fee-based services or individuals to provide or manage people who provide these hands-on services. In addition, they may find assistance through churches and senior community groups, such as “senior villages,”³ but locating such nonfamilial support is not always easy.

Family members are common helpers, but the relationships and situations are not always smooth. Some family members, among others, may approach the older persons with requests for gifts. This can be a thorny issue, particularly for family members who are helping older relatives. When multiple children or family members are in the picture, the potential for conflict and resentment exists concerning management of the older family members’ finances.

THE NEED FOR LEGAL DOCUMENTS

It is up to the individual to designate which family members or others from whom they want help. Powers of attorney, medical directives and living wills, if executed, transfer authority to the designated persons to take over when the individual is unable to make decisions or continue.

The older person and family need to proceed with caution in establishing these documents, as the powers they create can be abused.

Properly executed legal documents are part of a strategy that leads to a good support system. But they alone are often not enough. This paper does not deal with these legal issues, but older individuals will need to research the relevant topics, preferably before health and other problems come to the fore.

THE MANAGEMENT OF FINANCES

The participants sampled in the survey reported being frugal. They said they made financial adjustments as they went along, and they feel relatively secure financially. Most did not express many regrets and overall seemed satisfied with their finances. They indicated they tend to plan on a short-term basis and try not to spend down assets.

The SOA program survey and in-depth interview research provide much more information about the management of finances. As with people of all ages, such management can pose challenges at times. But the survey found that, in general, individuals in the age 85 and over population are resilient in this area as well as many other areas.

FROM SOA’S 85+ QUALITATIVE RESEARCH

“No, I can’t afford everything I need. There are a lot of things that I wish I could do, but they are not hindered by finances. They are more hindered by my physical capability.”

Dyad, parent, over \$50K in assets ,
male, Baltimore

³ Villages are community organizations of seniors designed to help age in place. They operate under a variety of models and include different supports. For more information about the village movement, see <http://villagesnw.org/whats-an-aging-at-home-village/>

THE ROLE OF FAMILY

The research found that these older people plan to remain independent, but when they need help and there is no spouse or partner to provide it, many turn to family members. Family often step in and provide a variety of help for as long as they can. The 85 and over interviews emphasized the role of family, and the survey data provided additional insights, such as:

- In the telephone survey, about half of these elderly (49%) reported the need to be driven places, women (58%) more so than men (33%).
- The need for driving help is far more common among those with less than \$50K in assets (55%) than it is with those with greater assets (33%).
- Only about a third (35%) need support in taking care of their residence or assistance in shopping.
- Less than a quarter (23%) require assistance with housekeeping activities.

The survey also found that parents of the adult children who were surveyed received more help, including paid help, than the individuals age 85 and over who participated in the telephone survey, as follows:

- Many adult children said they provide transportation to and from places (62%) or shopping (61%) for their elderly parents, especially widowed parents (68% and 66%, respectively).
- Nearly half (44%) of adult children said they manage medications or medical care for their parents, and many help clean their parents' residence (40%), do laundry (38%) or prepare meals (37%).
- More than a third (38%) of adult children said their parents have paid help to clean their residence, and nearly of third of the parents have paid help to prepare meals (32%), assist with personal care (31%) or do laundry (28%).

When the need for help exceeds what the family can handle, alternatives include seeking help from paid helpers and caregivers, an assisted living facility or a nursing home. For this reason, families need to address several questions: What are the triggers that indicate it is time to move to the next step? How can they approach the topic with the elder loved one? How will the next step be funded and by whom?

For elderly adults with no related family, other questions arise: What are the best routes for people with no family or no nearby family? Who will make health care and end-of-life decisions when the older adult can no longer do so?

For blended families, the questions may be different from that of other families. If so, how? Will adult children in these families maintain a relationship with stepparents once their natural parent is no longer in the picture?⁴

The interviews and surveys with people age 85 and over, and the children of people age 85 and over, showed huge variation in the elder's activity and limitations; some were very active with few or no limitations, and some had major limitations.

The majority of elders said they had experienced at least some physical or mental decline. They indicated that health and mobility issues play an important role in defining what activities they can do, their financial needs

⁴ See Anna M. Rappaport, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience* (Society of Actuaries, 2015) for a discussion of the factors around moving to next steps and for stories about some families who dealt with these challenges.

and their need for support. Individuals who have experienced cognitive decline are likely to need help with financial management. The findings suggest that those who are more active may use more financial resources for daily living and may have fewer health and care needs.

FOR MORE INFORMATION

- Anna M. Rappaport, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience*, Society of Actuaries, 2014
- Anna M. Rappaport, *Don't Forget the Role of Families in Lifetime Financial Security*, Society of Actuaries, 2017
- Anna M. Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*, Society of Actuaries, 2017
- Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*, SOA Pension Section News, February 2017
- *Post-Retirement Experiences of Individuals 85+ Years Old: In-Depth Interviews*, Society of Actuaries, 2017
- *Post-Retirement Experiences of Individuals 85+ Years Old: Survey Report*, Society of Actuaries, 2018

The Financial Management Picture

MONTH-TO-MONTH MANAGEMENT

For middle-income Americans, Social Security is the major source of regular retirement income. Many do not have very large financial assets, and, often, housing values are substantially greater than financial assets. These Americans retire, and many seem to be satisfied in retirement, even though they do not have a great deal of money.

A common paradigm for financial management in middle-income retiree families is to manage regular expenses so that they do not exceed income, according to SOA interviews with age 85 and over retirees, and also the SOA focus groups with recent retirees in 2013 and 15-year or more retirees in 2015. Families that follow this paradigm tend to minimize spending, and they withdraw only the required minimum distribution (RMD) from tax-deferred retirement accounts. Although they commonly have a goal of maintaining assets, they may draw upon assets if there is a major unexpected expense.

Most participants in the over age 85 study said they live month-to-month, even if they have other assets. Participants had two ways of managing assets.

Lower-asset participants indicated that they tend to live “paycheck to paycheck” and that they have learned to get by on the Social Security and pension checks deposited in their accounts. They said they save a little every month and then use this money for emergencies or for gifts for children and grandchildren.

Those with more assets tended to have distinct pools of money—a bank account as the first line of defense followed by investment accounts. The picture changed, they added, once they needed assisted living or major paid long-term care service.

The older people in this demographic seemed to feel less concern about risks and the future than did their younger peers. For instance, pre-retirees the SOA has surveyed have repeatedly expressed more concern about most retirement risks than retirees. And recent retirees have expressed more concern than the 15-year and over retirees. As for the age 85 and over group, they seemed even less concerned about the future than retirees who were retired 15 years or more.

SPENDING DURING RETIREMENT

As noted above, the age 85 and over retirees tend to be frugal and seem willing to manage their spending to fit their income. Some highlights from these findings include the following:

- When asked about how their spending habits compare to their income, only about one in eight (12%) report spending more than they should, and only 3% report spending a lot more than they should.
- About a quarter (23%) report spending less than they should, with females (28%) far more likely to say this than males (13%).
- The biggest factor behind these findings is that most respondents considered themselves to be at least somewhat frugal—a quarter very frugal (25%) and a half (51%) somewhat frugal.
- Widows (80%) are more likely to consider themselves frugal than others (64%).
- Furthermore, frugal behaviors seem to have lasted a long time, with close to half (48%) reporting being just as frugal as they were 20 years ago, and only a third (34%) reporting being more frugal.

The interviews showed similar results to the survey.

This philosophy works out quite often but not when there is a major long-term care need. The survey and some interviews indicated that family members are financially helping a minority of the older retirees.

Fourteen percent of the adults surveyed said they are getting financial help from their families, and 50% of the children surveyed say they are helping their parents. Of the 50%, 11% said they are helping a great deal, 18% to some extent and 21% a little. The resilience shown by the over age 85 retirees was also shown by 15-year and longer retirees.

The survey data and interviews provided information on people reducing expenses and working to control expenses. Research on spending in retirement shows that although health care spending increases with age, other spending tends to decrease. This contrasts with traditional thinking about retirement planning, which often focuses on maintaining the pre-retirement standard of living, including recognition of inflation and, often, increases in medical costs.

Some highlights of the results on spending are the following:

- The survey of adults age 85 and over indicates that most reported spending the same (34%) or less (38%) than they did 10 years ago, with women (44%) more often saying that they spend less than men (28%).
- When compared to 10 years ago, most respondents reported spending the same or less in several key areas. A large majority (74%) reported spending less on travel and a majority (60%) less on entertainment.
- Even when it comes to medical costs, slightly more than one-third (37%) said they spent more.
- Nearly one-half reported spending about the same on housing (44%), but over one-third claimed to spend less (35%).
- Only about one in five claimed to spend more on getting assistance in their daily lives.
- The adult children reported that a majority (54%) of their parents spend more on medical care, but this is a less healthy group.

Other data support the idea that older people reduce many types of spending over their retirement years. The Employee Benefit Research Institute (EBRI) has analyzed the Health and Retirement Study⁵ (HRS) data to learn more about how retirees spend by age. The EBRI research can be considered representative of the entire older population.

Table 2 shows mean household health expenditures increasing from age 65–74 to higher age groups while most other expenses are decreasing. A decrease in household size contributes to the decreases but does not explain it.

FROM SOA'S 85+ QUALITATIVE RESEARCH

“I’ve been somewhat frugal, yes. Because when you’re a child in the Depression days, my parents were very frugal, and I saw how it happened for them that they were all right when they did retire.”

Elderly, \$50K-or-more-asset female, Vancouver

⁵ The HRS is a national longitudinal database of people age 50 and older who provide data every two years. It allows for many different studies of aging and retirement in the U.S.

Table 2

MEAN AND MEDIAN HOUSEHOLD SPENDING IN 2011 ADJUSTED TO 2013 DOLLARS BY AGE GROUP

	AGE 65–74		AGE 75–84		AGE 85+	
	Mean	Median	Mean	Median	Mean	Median
Home	\$18,720	\$12,642	\$14,732	\$10,805	\$13,111	\$8,781
Food	4,526	3,982	3,994	3,228	2,520	2,152
Health	4,383	3,104	4,624	3,109	6,603	2,814
Transport	5,169	4,025	3,666	2,794	1,972	1,241
Clothing	1,311	724	950	569	888	434
Entertainment	4,300	2,380	3,277	1,655	1,609	714
Other	3,583	1,148	3,565	1,034	3,188	734
Total	\$42,805	\$34,036	\$35,315	\$29,884	\$30,610	\$22,263

Source: Figure 2 from Sudipto Banerjee, *How Does Household Expenditure Change with Age for Older Americans?*

It should be noted that while the EBRI analysis of HRS data and the SOA research produce very different types of information, the information fits together well. It is clear that something is going on concerning spending by older households that is very different from the traditional idea of maintaining standard of living.

The overall research on spending in total points to several conclusions:

- Average household spending drops after retirement by age within retired cohorts. More households reduce spending than increase spending.
- Health care is the one area of spending that increases by age: Mean spending increases both as a dollar amount and a percentage of total. Recurring health care costs, doctor and dentist visits and prescription drugs remain stable throughout retirement. Nonrecurring health services, nursing home stays, home health care usage and overnight hospital stays increase with age and are much higher in the period before death. The percentage of total spending devoted to health care increases by age group⁶
- Housing is the largest area of expenditure by far.
- Not surprisingly, spending on transportation, entertainment and clothing decreases more rapidly by age group than housing and food expenses.
- Some categories show much more variability than others.

It is important to note that many retirement experts worry that when people get access to relatively large amounts of money at retirement, especially when compared to the money they had during their working lives, they will spend it quickly. The SOA focus groups and in-depth interviews did not find evidence of people buying boats and large items they could not afford. In contrast, most people interviewed were frugal and trying to conserve assets, with frugality increasing with increasing age.

⁶ See Sudipto Banerjee, *Utilization Patterns and Out-of-Pocket Expenses for Different Health Care Services among American Retirees*.

FOR MORE INFORMATION

- Banerjee, Sudipto, *How Does Household Expenditure Change with Age for Older Americans?* EBRI Notes, September 2014
- Anna M. Rappaport, *Thinking about Spending in Retirement: Findings from SOA and EBRI Research*, Society of Actuaries Pension Section News, September 2016
- *Post-Retirement Experiences of Individuals 85+ Years Old: In-Depth Interviews*, Society of Actuaries, 2017
- *Post-Retirement Experiences of Individuals 85+ Years Old: Survey Report*, Society of Actuaries, 2018

MEDICAL AND LONG-TERM-CARE SPENDING⁷

As already noted, health care expenses after age 65 increase with increasing age. Premiums for Medicare Parts B and D and Supplemental Medicare or Medicare Advantage plans are a substantial part of total health care spending for this age group.

One study indicated that in 2014 retirees age 65 and over spent \$2,965 annually on premiums. The study found the median total health spending, excluding long-term care, was \$3,681, and the mean was \$4,274.⁸ The large differences in the mean and the median provide a reminder that expenses are heavily skewed to relatively few people who spend a lot, especially since Medicare premiums are income-related.

Another study looked at cumulative out-of-pocket spending after the age of 70 to time of death.⁹ This study provides information in 2018 dollars. It separated in-hospital spending and nursing home expenses and excluded premiums for health insurance. It found that out-of-pocket health care expenses were not as high as commonly believed for most of the group. But a few people had very high, even catastrophic expenses, both including and excluding nursing home costs.

For those dying at age 95 or later, the study found that cumulative expenses were as follows:

- The median cumulative out-of-pocket expense after age 70 until death was slightly above \$27,000.
- The 90th and 95th percentiles were nearly \$172,000 and just over \$269,000, respectively.
- Without out-of-pocket nursing home expenses, the 90th and 95th percentiles for those dying at age 95 or later dropped to nearly \$96,000 and \$154,000, respectively.
- For those dying at age 95 or later, the 90th and 95th percentiles of nursing home expenses were slightly over \$87,000 and \$175,000, respectively.
- When the sample was restricted to include only those who enter a nursing home, the 90th and 95th percentiles of nursing home expenses went up to nearly \$182,000 and \$266,000, respectively.
- Women who live long enough spend significantly more than men with similar lifespans. For example, the 90th percentiles of out-of-pocket nursing home people dying at age 95 or later was about \$77,000 for men and \$99,000 for women.

Further, the study noted that the median, 90th percentile and 95th percentile of average annual out-of-pocket expenses for the entire sample was about \$2,000, \$11,000 and \$19,000, respectively.

This study provides some insight into Medicaid coverage. One in three of the surveyed retirees were covered by Medicaid at some time after age 70. Of this group, 11% were covered by Medicaid when they entered the sample, and an additional 20% secured coverage during retirement. The study also reviewed Medicaid coverage relative to nonhousing assets; here 45% of those with less than \$10,000 in nonhousing assets were covered by Medicaid.

7 This section deals with out-of-pocket spending only, and not total medical costs. None of the cited studies offer any insight into the total medical costs for this population.

8 Melissa McNerney, Matthew S. Rutledge and Sara Ellen King, *How Much Does Out-of-Pocket Medical Spending Eat Away at Retirement Income?* The analysis uses the HRS data from 2002–2014 indexed to 2014 and includes individuals age 65 and over who are receiving both Social Security and Medicare and are not covered by employer health insurance.

9 Sudipto Banerjee, *Cumulative Out-of-Pocket Health Care Expenses after the Age of 70*. This study uses the HRS and focuses on individuals who were tracked from age 70 to death.

The SOA survey of the children with parents 85 and over indicated that Medicaid paid for most of the care for 44% of the parents who currently need care in a facility or from paid aides. About 25% of the children surveyed had parents in a facility or with care provided by aides.

In 2016, 11.7 million Americans were concurrently enrolled in both Medicare and Medicaid programs. Of this group, 46% were enrolled in these programs because of age. Dual enrollees accounted for 20% of all Medicare enrollees and 34% of the costs.¹⁰ It is unclear how many of the enrollees who had the highest costs were dual enrollees and what role Medicaid played for them.

Another study¹¹ separated out predictable health care expenses from less predictable ones and provided results for three age groups: 65–74, 75–84 and 85 and over. Predictable expenses were stable by age, and the less predictable ones were increasing. The nonrecurring expenses included overnight hospital and nursing home stays, home health care, outpatient surgery and usage of special facilities. Expenses for nursing home stays, home health care and overnight hospital stays were much higher in the period right before death.

The same study also found that:

- The top income quartile spent significantly more on nursing home and home health expenses than the other income quartiles. This difference could be related to this group not being eligible for Medicaid coverage.
- For other nonrecurring expenses, no similar pattern by income appeared in the data.
- Women age 85 and older had significantly higher nursing home usage than men: 27% versus 17% over a two-year period.
- Age 85 and older people in the highest income quartile spent substantially more on prescription drugs and dental. Drug spending increased for each quartile. See Table 3 for more details on out-of-pocket health care expenses.

Table 3

AVERAGE RECURRING OUT-OF-POCKET HEALTH CARE EXPENSES FOR THOSE AGE 85+ BY INCOME QUARTILE FOR THE TWO-YEAR PERIOD 2010–2012

INCOME QUARTILE	DOCTOR VISITS	DENTIST	PRESCRIPTION DRUGS
Bottom	\$1,155	\$632	\$1,486
Second	841	919	1,673
Third	817	927	2,040
Top	914	1,352	2,327

Source: Figure 14, Sudipto Banerjee, *Utilization Patterns and Out-of-Pocket Expenses for Different Health Care Services Among American Retirees*.

In the SOA in-depth interviews with individuals 85 and over and in earlier focus groups, most respondents did not view acute medical care costs as a major problem. They seemed accustomed to the premiums and indicated they were able to plan for them as part of their cash flow. A few people, however, did report facing much larger out-of-pocket expenses.

10 Medicare-Medicaid Coordination Office Fiscal Year 2017 Report to Congress, Department of Health and Human Services, Centers for Medicare and Medicaid Services, https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/RTC_MMCO_FY2017_06072018.pdf.

11 Sudipto Banerjee, *Utilization Patterns and Out-of-Pocket Expenses for Different Health Care Services Among American Retirees*. This study looks at the Medicare eligible panel members from the 2012 HRS. Health utilization and expenses are self-reported by the individual in the HRS and reflect the two year period prior to the 2012 HRS interview.

Long-term care was a different situation. A few people reported that nursing home costs were very high unplanned expenses.

FOR MORE INFORMATION

- Sudipto Banerjee, *How Does Household Expenditure Change with Age for Older Americans?* EBRI Notes, September 2014
- Sudipto Banerjee, *Utilization Patterns and Out-of-Pocket Expenses for Different Health Care Services Among American Retirees*, Employee Benefit Research Institute Issue Brief 411, 2015
- Melissa McInerney, Matthew S. Rutledge and Sara Ellen King, *How Much Does Out-of-Pocket Medical Spending Eat Away at Retirement Income?*, Center for Retirement Research paper CRR WP 2017-13, 2017
- Sudipto Banerjee, *Cumulative Out-of-Pocket Health Care Expenses after the Age of 70*, Employee Benefit Research Institute Issue Brief 446, 2018

LONG-TERM CARE AND CAREGIVING

The above discussion looks at the costs of nursing home care but not the challenges of long-term care. This section looks at some of the top challenges.

SOA has made a point to study these challenges in various research projects. For example, long-term care and caregiving were special topics in the *2017 SOA Risks and Process of Retirement Survey*. These were important topics in SOA's 85 and over research as well. Also, in preliminary work done before the formal 85 and over study, people residing in assisted living facilities were among those interviewed. The 2016 focus group study, *Post-Retirement Experiences of Individuals Retired for 15 Years or More*, included in-depth interviews with caregivers of people needing care too.

These 2015 interviews and the survey of adult children in 2017 were included so that the people needing current care and help would not be excluded from the SOA research.

Some very clear findings emerged from this work, as follows:

- People need a wide range of help, sometimes over a long time.
- Much of the needed help is with household tasks such as driving, housework and shopping. Most of this help is not continuous, and often people have some flexibility in scheduling. Families and friends often provide such help.
- Other help involves activities of daily living. This can require assistance or availability on a 24/7 basis, and the care can be very intensive in some cases. Once again, families do provide some of this help at home or bring paid aides into the home. In more situations, the individuals go to the assisted living or nursing home to get this care. There is often a progression, but this research did not focus on the progression.
- Some people need help with managing medication, managing medical care, going to doctor's appointments, dealing with the medical system and other medical needs.
- Some people need help with managing finances, as discussed elsewhere in this report.
- Many people underestimate the likelihood that they will need help, underestimate its cost, and overestimate the amount that Medicare covers. This necessitates better planning for long-term care.
- Although family members seem to step in and help very often, they do relatively little planning for such help. Few people have advance family discussions about long-term care, for example. Caregiving is very stressful, and caregiving can have a negative financial, health and stress impact on the caregiver.
- Few people buy personal long-term care insurance.
- Medicaid is the system of last resort to pay for nursing home care.
- Women are much less likely than men to have a family caregiver.

FOR MORE INFORMATION

- Anna M. Rappaport, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience*, Society of Actuaries, 2014
- Sandra Timmerman, *The 65 Plus Age Wave and the Caregiving Conundrum: The Often Forgotten Piece of the Long-Term Care Puzzle*, Society of Actuaries, 2014
- Anna M. Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*, Society of Actuaries, 2017
- Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*, Society of Actuaries Pension Section News, February 2017
- *Post-Retirement Experiences of Individuals 85+ Years Old: In-Depth Interviews*, Society of Actuaries, 2017
- *Post-Retirement Experiences of Individuals 85+ Years Old: Survey Report*, Society of Actuaries, 2018

Changes over the Retirement Period

The SOA studies looked for changes and how they occurred from retirement to the current ages. Here are some key changes and issues that surfaced:

- Many have lost spouses and some have formed new partnerships.
- Most people have gradually lost friends and their social contacts have changed. Some lost nearly all of their friends.
- Health changes over time. Most over age 85 individuals have some type of health impairment, whether it is cognitive decline, vision maladies, skeletal or joint problems, hearing loss, or balance issues and fear of falling. A number have serious health issues.
- The role that family and other support systems play is of increasing importance as people age and become less capable of living independently. The ability of family to provide transportation, social contact and support can make a huge difference for those less able to get places and maintain their residences. Those without family to provide such help may need other methods of support.
- Although many expected to work in retirement, and quite a few did so earlier in retirement, this decreased with increasing age.
- As discussed earlier, spending generally declined with increasing age except for health care.
- Many experienced shocks and unexpected events. as discussed below.
- Although most people prefer to stay in their homes, many who live beyond age 85 will need to move because of physical limitations, need for care and support, and proximity to family and help.

FINANCIAL SHOCKS AND UNEXPECTED EXPENSES

SOA researchers explored financial shocks and unexpected expenses in the *2017 SOA Risks and Process of Retirement Survey*. The topic was also a major focus in the 2015 research.

The 2017 Risks survey asked age 85 and over respondents about how big of an impact various events have had on their finances in the past five years. No more than a quarter (23%) claimed that any of the shocks mentioned had a major impact. Interestingly, the most common event to have a major impact among the 23% group was an increase in utility bills, especially among those with less than \$50,000 in assets (26%).

Smaller minorities of elderly respondents identified other events that had a major impact in the past five years too. These included death of a spouse (21%) and medical expenses (19%). Even lower percentages reported a major financial impact from dental expenses or home repairs (13% each) or an increase in real estate taxes (12%).

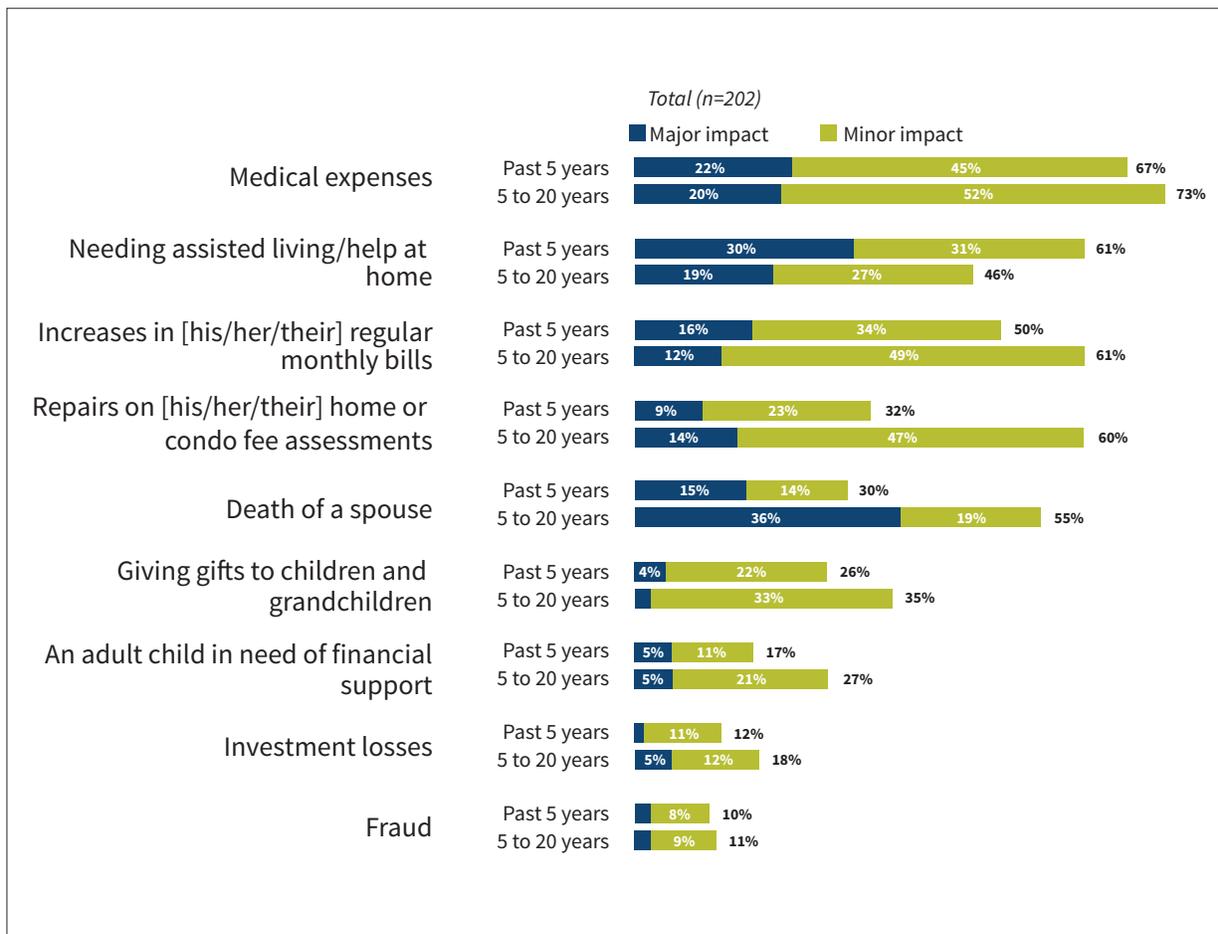
A small proportion of those with \$50,000 or more in assets reported experiencing a major impact from events such as increases in utilities (14%), death of a spouse (12%), medical expenses (8%) or home repairs. It should be noted that the survey did not include many people who had a substantial need for long-term care because it would be difficult for them to respond.

The findings in the survey of adult children of elder parents were very different from those obtained directly from those age 85 and over. The big difference had to do with the impact of needing assistance in daily living. Thirty percent of the adult children claimed that this had a major impact on their parents in the past five years, a far

higher percentage than reported by the elderly themselves. One in five of the adult children (19%) said this need had a major impact in the past five to 20 years. The difference in response for these two periods is likely a function of the differences in the samples for these surveys, as discussed earlier. The difference could also be a function of what adult children know and don't know about their parents' situation.

More than one-third (36%) of adult children claim that the death of a parent had a major impact on the other parent's finances in the past five to 20 years. However, only 15% of the children claimed that this event had a major impact on the living spouse if it happened in the past five years; this was a smaller percentage than the retirees age 85 and over had reported (21%).

Figure 1
[ADULT CHILDREN] Q 15/16. HOW BIG AN IMPACT HAS EACH OF THE FOLLOWING HAD ON YOUR [ELDERLY REFERENCE'S] FINANCES IN THE PAST 5/5 TO 20 YEARS?



Source: *Post-Retirement Experiences of Individuals 85+ Years Old: Survey Report.*

Helping children was a more important issue for parents earlier in their retirement years. By comparison, in the age 85 and over group, few reported that giving gifts to children and grandchildren had a major impact (7%).

The interview results were consistent with the survey results. Overall, the age 85 and older retirees did not report being recently affected by shocks other than experiencing a long-term care event. By comparison, those retired 15 years or longer reported more recent financial impacts from shock events.

Among the 85 and older group, not many reported having significant sums of money at retirement that they then spent or lost due to a sudden shock. Long-term care requiring paid care—including a move to assisted living—was the biggest exception for this group.

Some other observations for this age group include:

- Long-term care was the biggest issue.
- Health expenses were important, but many said they had Medicare and Medigap insurance that helps pay for care, and many said they have learned to plan for expected expenses (apart from some drug expenses). Few said they have large out-of-pocket expenses for acute medical care.
- Although the over 15-year retirees mentioned dental care as a substantial problem, this expense did not come up as a factor for the age 85 and over group.
- Only a few interviewees reported investment losses and the need to support family members as impacting their diminishing assets.
- The death of a non-income-earning spouse had mixed financial impact. This financially hurt some and financially benefited others, depending on the change in expenses versus the Social Security and pension income attributable to the deceased spouse.
- Although divorce after retirement was a significant problem for the earlier in retirement group, divorce did not happen recently among the over age 85 interviewees.
- The age 85 and over group did not mention home repairs, car replacements and car repairs very much as an issue. This is in contrast to the 15-year and over retirees, who found home repairs to be a big issue.
- The interviews did not uncover much evidence that fraud was a major concern or had impacted the age 85 and over respondents in the SOA formal interview study. This was a clear difference from SOA's preliminary work, which found that some people in assisted living had experienced fraud, and they described it as a big concern.
- The 2015 research found that multiple shocks were a much bigger problem than single shocks. This was not explored in the new research. Although most older people adjust reasonably well to financial setbacks in retirement, some setbacks cause severe life difficulties.
- In the 2015 research, more than one in three who experienced shocks had their financial assets reduced by 25% or more as a result. More than one in 10 who experienced shocks had to reduce spending 50% or more because of the shocks. About three in four retirees felt that they were able to manage at least somewhat well within their new financial constraints.

The 2015 SOA focus groups with individuals retired 15 years or longer provided a retrospective picture with substantial emphasis on financial shocks. The 2015 Post-Retirement Risk Survey also included a focus on shocks. This topic seemed very important because, for many people, planning focused primarily on the expected. Many spoke of going from buying what they want to buying only what they need and feeling that they do not need much. Retirees were able to make adjustments and deal with unexpected expenses in a number of areas but not major long-term care events requiring paid care or divorce after retirement. Both of these shocks had a major impact. Adult children receiving longer term support was also a major issue.

FOR MORE INFORMATION

- *2015 Risks and Process of Retirement Survey: Key Findings and Issues, Shocks and Unexpected Spending in Retirement*, Society of Actuaries, 2016
- *Post-Retirement Experiences of Individuals 85+ Years Old: In-Depth Interviews*, Society of Actuaries, 2017
- *Post-Retirement Experiences of Individuals 85+ Years Old: Survey Report*, Society of Actuaries, 2018
- Anna Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*, Society of Actuaries, 2017

HOW ASSETS CHANGE DURING RETIREMENT

The SOA research offers a detailed look into what people say about their retirement experience. The picture that emerged is a fairly consistent story of older people striving to retain assets and not spend them down. Several sources have added to this body of knowledge by looking at data from the HRS research to see how events change assets that older people hold. Some of the findings follow.

One analysis¹² of HRS data examined asset pathways from first entry into the HRS database to the end of life. That analysis zeroed in on the question about what circumstances and events lead to low assets at the end of life.

In that paper, Poterba, Venti and Wise found that wealth level at first entry into the HRS¹³ was a major factor contributing to wealth level at the end of life. In fact, the biggest pathway to low assets at death was low assets at entry into retirement. However, some types of events, including widowhood, divorce and major health events, also contributed to substantial drops in assets. In addition, some people entered retirement with some accumulated assets and then outlived them.

An additional paper¹⁴ by Poterba, Venti and Wise found little probability of drawing down assets in the first 15 years after age 65. The data for that paper included mostly people who died before age 80. Two-thirds of respondents who were observed at age 65 and one year before death and who had less than \$50,000 of net worth at death had low asset levels at age 65. The researchers found that education and lifetime earnings were big factors in determining wealth later in life. Another finding was that asset declines, particularly among people with higher assets, were due to major health events and loss of a spouse.

These results are consistent with a study from the Government Accountability Office (GAO), *Retirement Security: Women Still Face Challenges*,¹⁵ that showed estimated effects of life events on household assets and income by gender. Becoming divorced or separated had the biggest impact, followed by becoming widowed. Becoming unemployed and experiencing a health decline were associated with much smaller reductions in assets and income. (Note: The GAO analysis uses the HRS, so it covers adult ages starting around 50 and older. It is different from some of the other work that focuses on older ages. Retirees were not separated from pre-retirees.)

12 James Poterba, Steven Venti and David A. Wise, *What Determines End of Life Assets? A Retrospective View*, NBER Working Paper 21682, October 2015.

13 Individuals were as young as the early 50s age range at entry into the HRS in 1992, but some people were older. The paper looks at results by age at entry into the study.

14 James Poterba, Steven Venti, and David A. Wise, *Longitudinal Determinants of End-of-Life Wealth Inequality*, NBER Working Paper 23839, Revised May 2018.

15 Report number GAO-12-699.

In looking at widowhood, the GAO study found large declines in assets and household income. This seems somewhat inconsistent with findings from the SOA focus groups and post-retirement risk surveys. Not many people in the SOA research said they are significantly worse off following death of a spouse. Instead, the group was split between those who said they were worse off and those who said they were better off.

Feelings and a quantitative measure of money may not equate with one another, however. For example, a surviving spouse who had to care for a spouse with limitations may feel better off following the ailing spouse’s death, even if the situation is worse economically. A factor to keep in mind is that, depending on the situation, expenses may change when there is only one person. For instance, a one-person household may have average expenses of about 75% of the two-person household. Each situation is different, however. See Table 4 for details on the impact of life events.

Table 4
ESTIMATED EFFECTS OF LIFE EVENTS ON ASSETS AND INCOME

	CHANGE IN TOTAL HOUSEHOLD ASSETS		CHANGE IN TOTAL HOUSEHOLD INCOME	
	Women	Men	Women	Men
Became divorced or separated	-41%	-39%	-41%	-23%
Became widowed	-32	-27	-37	-22
Became unemployed	-7	-7	-9	-7
Health declined	-8	-10	-4	-3

Source: Table 1 of GAO Report 12-699, p. 28. Results based on GAO analysis of HRS.

An EBRI study¹⁶ focused on the spending of assets in the first 20 years of retirement, so it did not address the period after age 85. This study showed that within the first 18 years of retirement, individuals with less than \$200,000 of nonhousing assets immediately before retirement spent down 25% of their assets, those with between \$200,000 and \$500,000 immediately before retirement had spent down 27%, and those with at least \$500,000 before retirement had spent down only 12%.

The EBRI study also showed that while some retirees spend down most of their assets in the first 18 years after retirement, about 33% of the sampled retirees increased their assets. Retirees with pensions were much less likely to spend down assets.

The SOA focus groups and interviews indicated that many people try not to spend down their assets, and that they withdraw only their RMD from their tax-qualified retirement accounts, as specified by law. The SOA studies also showed that shocks may lead to additional asset withdrawals. In addition, major long-term care events lead to asset depletion, but relatively few individuals reported experiencing such events.

All data sources indicated that couples are better off than singles, particularly single women. That would also be consistent with the finding that divorce and widowhood are likely to lead to asset declines.

It should be noted that the research did not explore the investment strategies and results for the respondents.

16 Sudipto Banerjee, *Asset Decumulation or Asset Preservation? What Guides Retirement Spending?*

The Matter of Family and Close Loved Ones

FAMILIES AND OTHER SOURCES OF SUPPORT

Family emerged as very important in SOA's 85 and older research. The survey of children of individuals age 85 and older asked about a number of sources of advice and support. Some highlights of the findings are these:

- More than two-fifths (46%) of respondents said their parent had an attorney, 31% an accountant, 28% a financial planner or advisor and 29% a social worker, counselor or care manager.
- The adult children played a major role in interacting with these advisors. The interaction with attorneys was 38% by the individual age 85 and older, 21% jointly by the children and their parent and 34% by the children.¹⁷
- The results for accountants and financial planners were split fairly similarly. The interaction with accountants was 40% by the individual, 18% jointly and 35% by the children. For financial planners, it was 35% by the individual, 19% jointly and 42% by the children.¹⁸
- In the case of social workers, counselors or case managers, the children played a larger role. The primary interaction was handled by the children in 50% of the responses, by the individual in 22% and jointly in 24%.¹⁹

In all of the focus groups and in-depth interviews, the preestablished asset limits meant that people most likely to use advisors—the more wealthy individuals—were not represented in the findings. A few of the respondents did report, however, that they had used advisors, and their reported experience with advisors was generally mixed. Some people reported a lot of confidence, and others reported poor results.

The 2016 conversation included some comments about how family is involved where there are advisors:

In the vast majority of cases where our very elderly clients need help with their financial planning, the children are also clients and will ask us for assistance in deciding how best to help their parents make good financial decisions.

However, we do have the occasional client, I'm thinking of one in particular, where the children are not clients and are virtually unknown to us. In the case I'm thinking of, one of the children has convinced the client to remove about one-third of their assets from management and invest in a real estate venture. This might be a perfectly legitimate investment, but we were not asked to vet the project (we offered) and were unsure of the risks involved. Since the client is competent, there is no reason to question this decision other than the possibility that the client is reluctant to refuse a request by the child. That same client has repeatedly refused the request of their children to remove their assets from our management."

The 2016 conversation also identified sources of specialized help with daily money management tasks such as paying bills and balancing checkbooks. This is in addition to traditional advisor functions of managing investments and helping with significant decisions. Some of the comments were:

There is a long-standing, and I believe reputable, organization in the American Association of Daily Money Managers, (<http://aadmm.com/>)—some of whom have completed (along with numerous financial advisors, attorneys, etc.) the course for the Registered Financial Gerontologist (RFG) certification from the American Institute of Financial Gerontology (AIFG) currently housed at the University of North Carolina–Greensboro (www.aifg.org).

17 A few respondents said someone else or don't know. Seven percent was the most in the total of these two categories.

18 For accountants, 6% said it was someone else or they did not know, and for financial planners, that was 4%.

19 The percentage who replied did not know or someone else was 3%.

There are more people than before who don't have kids to help them and that is a big issue. In such instances, we work with a trust company, which specializes in helping people with daily financial life as a separate product line from investment management.

To my surprise, we are also promoting such institutional relationships for clients who do have children. We have seen too many times that the wrong child steps up or that kids don't understand the fiduciary relationship.

As indicated above, the families helped many of their elders in the 85 and over age group, and this help covered a wide variety of tasks. But although families often help for a while, individuals age 85 and over may need help beyond that which is available from families. This means that elders and families may need to consider assisted living and long-term care options as critical challenges they must face.

The SOA surveys and interviews indicated that most of the age 85 and over group did not appear to be prepared financially to pay for assisted living and long-term care services. They often described use of these services, particularly nursing home support, as a last resort.

When asked how they would handle these expenses, a number of respondents did not seem to grasp the scope, magnitude and expense that would be required to provide full-time custodial care, and some lower-asset participants did not even know they would likely be eligible for Medicaid. In addition, some children of these elderly were unaware of the amount of time and resources needed to provide this type of care. These results were consistent with the results of the 2015 focus groups with 15-year and longer retirees.

The essay *Practical Issues in Financial and Life Management for the Late-in-Life Population* and the SOA PRNR listserv's spring 2018 discussion on cognitive decline also explored potential areas of trouble and what is needed to help the family be most effective.²⁰ This research highlighted that although family can be an enormous help, things may not always go smoothly. Here are some of the issues that surfaced:

- **Documents.** Although it is important to have the right legal documents in place and to make decisions about what authority will be delegated and to whom, sometimes that is not enough. The individuals who are helping and may have authority need access to information about the important details of the elder's life. If helping with finances, for example, they need to know the location of all legal documents and assets. They also need to know about safes and safety deposit boxes. Anecdotal information indicates that some older people have secret information they wish to keep secret, but the helper needs to know about it.
- **Charities.** Older people are frequently over-solicited by charities. Family and other helpers have a role to play in keeping this under control.
- **Spending on care.** There is a potential for conflict between the parent and child about spending on the care of the person who is age 85 and older. Buying long-term care insurance can offer some help, if the parent can qualify for it and afford it, but this is not a total solution. Different options for care may be available with big differences in cost.
- **Communication.** This can be very valuable in getting a support system in place and in having shared goals, but some people at age 85 and older value their privacy and do not want to communicate much. Some will communicate with some members of the family and not others.

PRIVACY HAS ITS LIMITS
Some older people have secret financial information they wish to keep secret, but their chosen helper needs to know about it.

²⁰ The 85+ in-depth interviews and focus groups also explored the role of family, but not challenges in the family working together and providing help to their older relatives.

- **Access to information.** When multiple children or interested relatives are in the picture, they often want to be informed of developments. These people may cooperate with one another, but potential for conflict may surface and make care harder than previously. This can put the caregiver in the middle. As a possible solution, to help curtail such an outcome, the caregiver and the person 85 and older could establish an agreement, early on, about how much will be communicated, to whom and when.
- **Denial.** Older people who have trouble driving, suffer from other limitations or develop dementia may be in denial about their condition. This creates increasingly difficult situations for the surrounding family, particularly the principal caregiver.
- **Go-to person for advice.** It is important for the caregiver to have someone to go to for advice when conflicts or difficult situations erupt. It is particularly helpful if the person 85 and older has already designated, in advance, who that person should be. It is also very helpful if the elder has communicated what authority and instructions have been given to various people.
- **Giving preferences.** When an individual has previously made substantial charitable contributions and/or gifts, questions may arise about whether to continue such practices once the older individual is no longer able to make decisions. It is important to communicate philosophy and wishes in this regard, preferably well in advance of onset of debilitating conditions.
- **Loans to family.** Family members asking for loans is likely to be a thorny issue.
- **Financial bench.** Some family members may not have the expertise to manage finances well, or they may not have the time or interest.

Two issues emerged in the research, but with very limited information: (1) blended families and how they deal with these issues and (2) elder orphans (elderly with no family available to help them). Both are areas for further study.

FOR MORE INFORMATION

- Anna M. Rappaport, *Don't Forget the Role of Families in Lifetime Financial Security*, Society of Actuaries, 2017
- Anna Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*, Society of Actuaries, 2017
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- *Post-Retirement Experiences of Individuals 85+ Years Old: Survey Report*, Society of Actuaries, 2018

DEALING WITH COGNITIVE DECLINE

One challenge facing many people as they age is the onset of cognitive decline. In the SOA survey of adult children, 42% reported that their parent 85 and older had experienced moderate to severe cognitive decline.

Cognitive decline can be a major problem, regardless of whether the individual has financial resources or not. Cognitive decline can change everything. Although every situation is different, an often-mentioned suggestion for dealing with the associated challenges is strong family (or support system) communication. One commenter

in the SOA's online conversation about cognitive decline put it this way: "Successful aging requires strong family communication. Spouses need to talk honestly to spouses; parents need to talk honestly with adult children, and vice versa; and adult children need to talk honestly among themselves about their parents."²¹

This communication does not always occur. SOA research indicates that many families do not have conversations about cognitive decline in advance of when a problem occurs. In addition, many people do not have family available to help them.

The online conversation among retirement professionals²² surfaced a number of anecdotes where things went wrong. Some of the things that happen are individuals who lose or do not pay bills, file tax returns, fail to take medication properly or are more vulnerable to fraud. An earlier, broader conversation looked at some of the same issues and at other issues relative to the 85 and older population.²³

A variety of support strategies—financial, legal and other types—can help with the management of life for individuals with dementia. For others to provide to help, however, the concerned parties need to do some advance planning. Sometimes this planning includes creation of legal documents and establishing steps that can guide concerned others to help with purchase of relevant financial products.

People vary in their willingness, or lack thereof, to discuss or consider the possibility of needing help or of having dementia sometime in the future, but some people do take maximum planning steps early on. In some cases, when the condition is diagnosed, loved ones take action based on the advance planning. In other cases, families take action only after something has gone seriously wrong.

Sometimes, however, no one takes action until the elder's condition has resulted in a mess, at which point a court will appoint a guardian (which can be a stranger if no family member or friend is available). The court-appointed guardian may not be a desirable path for the individual or concerned others because they may not have the best interests of the individual in mind.

In still other situations, no one takes action until after an individual is deceased, and the executor and family must clean up the mess left behind. This can be a very stressful juncture in family life, and it may cause painful disagreements and ruptures in once-close family ties.

One recommendation to emerge from the online SOA conversation is for families and supportive friends to look for signals that it is time to do something—before a serious decline-related problem occurs. It is critical to do this so that solutions can be put into place in time. Planning does not solve all problems, but it can make dealing with them a great deal easier.

As mentioned earlier, signs of a problem might include unpaid bills and unopened mail, checkbooks not balanced, tax returns not signed and sometimes fraud. Difficulty with driving and inability to manage medications are other examples.

Arrangements that can offer financial and legal protection with regard to dementia include the following:

- **Use of lifetime annuities.** In these products, an insurance company manages funds that the policyowner deposits into the annuity and then makes regular payments for life without the individual having to take any further action. The products come in many versions. Some accept deposit of funds automatically, and others

21 From recent online conversation among retirement professionals. *A Conversation on Dementia and Cognitive Decline*, Society of Actuaries, 2018

22 *A Conversation on Dementia and Cognitive Decline*, Society of Actuaries, 2018

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

allow the individual to make one lump-sum payment. Some allow the owner to defer the start of income payments for several years or to an advanced age, and some can be designed to make payouts over the lifetime of two individuals.

- **Purchase of long-term care protection.** As indicated earlier, this insurance can help finance needed care. These policies come in a variety of different arrangements. Views vary greatly about when such insurance should be purchased.
- **Trust arrangements.** These are legal documents that people set up that allow a person to transfer management of funds to a trustee.
- **Powers of attorney.** These documents delegate authority to make decisions to another person when the individual is no longer able to make decisions.
- **Investment strategies that do not require ongoing choices.** One example is the use of a target date approach to investments. This rebalances investments automatically and “targets” the investment mix to become more conservative as the “target date” approaches.
- **Money management service.** Some people use a professionally managed service that provides support with bill paying and everyday money management, if the account holder can no longer perform that function.
- **Instructions to advisors and family members.** Here the individual writes out instructions concerning who can be consulted in the event of discomfort and suspected problems.
- **Instructions to family members.** These instructions help clarify the individuals’ preferences, concerns about communications and other details of living.

Legal help is needed for structuring and putting into place the trusts and powers of attorneys, and sometimes also the letters of instructions and other aspects of the plan.

FOR MORE INFORMATION

- Anna M. Rappaport and Monica Dragut, *Financial Decision Making and Aging: Observations About the 2016 Pension Research Council Conference*, SOA Pension Section News,²⁴ September 2016
- Olivia S. Mitchell, P. Brett Hammond and Stephen P. Utkus, *Financial Decision Making and Retirement Security in an Aging World*, Oxford University Press, 2017 (See Chapters 2, 3 and 4 on cognitive decline.)
- Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*, SOA Pension Section News, February 2017
- *A Conversation on Dementia and Cognitive Decline*, Society of Actuaries, 2018

24 Pension Section News is now Retirement Section News.

Other Critical Areas

FRAUD, FINANCIAL EXPLOITATION AND CHARITIES

The SOA's *Managing Post-Retirement Risks: A Guide to Retirement Planning* identifies a number of different risks and related issues. Bad advice, fraud and theft have been identified among those risks. People do become more vulnerable as they age and so can benefit greatly by having checks and balances in place as well as resources to rely upon for support should problems occur.

Worth noting is that the SOA's *2017 Survey of Post-Retirement Risks and the Process of Retirement* found that fraud has never been one of the top reported concerns. In 2017, 15% of retirees were very concerned and 34% were somewhat concerned that "You might be a victim of a fraud or scam."

The risk becomes greater, however, as people change and are unable to manage on their own. In 2017, 18% of retirees were very concerned and 33% were somewhat concerned that "There may come a time when you (and your spouse/partner) are incapable of managing your finances." Yet, in SOA interviews of individuals 85 and older and their adult children, many respondents preferred not to do online financial transactions because of concerns about fraud. In addition, in the SOA's online conversation about cognitive decline, one commenter who had conducted interviews at an assisted living facility found that fraud was identified as a significant concern.²⁵

Mechanisms are in place to help deal with fraud against elders. State governments have regulatory agencies to assist in dealing with matters of elder fraud and exploitation, for example. Such agencies, called Adult Protective Services (APS), are in operation throughout the country.²⁶ Under some circumstances, banks and financial firms are required to report suspected situations to APS agencies.

At the Pension Research Council's 2016 conference, "Financial Decision Making and Retirement Security in an Aging World," dealing with fraud and dealing with financial exploitation were major topics of discussion. Some of the ideas discussed include the following:

- **Sources of fraud.** Exploitation can come from strangers, caregivers, family and others. It takes many forms. Financial firms are encouraged to use an "In case of emergency procedure." Their clients then provide them with the name of a family member or other trusted person they can talk to in the event of emergency, either a discrete event or if there is evidence of confusion. This person does not have authority to execute transactions but is someone who can assist.
- **Watch for changed patterns of behavior.** Financial firms train their customer-facing individuals to recognize strange patterns of withdrawal, look for fraud as well as decline and follow procedures to deal with it. The "in case of emergency" process may be a first step. In some cases, the firms are required to go to law enforcement. Situations may arise where the firms put a hold on funds.
- **Use technology when available.** Automated systems can help identify strange patterns of withdrawals.
- **Who might be involved.** Family members may be involved in exploitation. An example is when family members push continuously for gifts from the elder even though the gifts entail funds needed for the elder's

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

26 See NAPSA for more information on these organizations at <http://www.napsa-now.org>.

own care. There may also be “gray situations” involving family, for instance, when family members use the elder’s credit card to shop for themselves as well as the older adult.

EXPERIENCES WITH FRAUD

In 2016, the SOA program team, previously the SOA Committee on Post-Retirement Needs and Risks, had an online discussion on challenges with the age 85 and over group. The SOA’s Pension Section News documented some of that discussion, including problems involving elder fraud.²⁷

Several commenters recounted stories about over-solicitation by charities. Some pointed out that APS agencies offer to help seniors in cases of financial exploitation. Some noted that loneliness and cognitive decline can increase a senior’s vulnerability to such exploitation. One of the big challenges of caregiving adults is knowing what to do about charitable and family gifts, other commenters said.

Here are a few comments from that online conversation:

My Dad was a very successful educated businessman—yet in the end (he lived to 91 years), it was tough protecting him from folks wanting to issue him credit cards which we kept taking away because he got into a habit (some of you may laugh, go ahead, he wouldn’t mind) of calling Lands’ End and buying extravagant gift cards for different family members he suddenly had an inkling to give a gift to; his teenage grandchildren had no interest in Lands’ End but started getting \$1000 gift cards. It was something he just got enamored with and forgot right after he did it so that each time he did it, it felt like a new idea to him.

Over-solicitation by charities is a real problem, along with book clubs, shopping services and various political organizations. Unfortunately, my sister burned through her entire life savings in about 18 months (due) to a combination of these. As she kept withdrawing funds from her IRA, her advisor (a bank broker) was concerned and reported it to the appropriate state agencies, his manager and compliance department as required by brokerage rules. The state never did anything. Unfortunately, banks don’t operate under as strict standards. She also burned through her savings account and regularly overdrew her checking account. The bank was happy to continue to honor checks even when there were insufficient funds since they knew she would have Social Security deposited shortly and they were collecting hefty fees. My sister did not live nearby and was very skilled at hiding all this from the family, most likely out of embarrassment. I only discovered it when she had to go to a nursing home and I took over her finances. In settling her estate, I wound up settling with the bank for a refund of about half of the overdraft fees, which was still nearly \$2,000.

The only personal experience I have is with my mother who died in 2014. She was living on my father’s Air Force pension and Social Security and although she was not poor, she was supporting my sister and had little disposable income. I took over her finances in about 2010 and discovered that she had about \$500 per year in charitable donations—almost all of which came from telephone solicitation. When I asked her why she responded to these calls she indicated that the people seemed so nice and she didn’t know how to say no. I told her that in future she should ask them to send information about their cause and that her financial planner would review them and consider donating. We never got anything in the mail, and they stopped calling.

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

FOR MORE INFORMATION

- *Managing Post-Retirement Risk: A Guide to Retirement Planning (Risk Chart)*, Society of Actuaries, 2011
- Anna M. Rappaport and Monica Dragut, *Financial Decision Making and Aging: Observations about the 2016 Pension Research Council Conference*, Society of Actuaries Pension Section News, September 2016
- Olivia S. Mitchell, P. Brett Hammond and Stephen P. Utkus, *Financial Decision Making and Retirement Security in an Aging World*, Oxford University Press, 2017 (See Chapters 9 and 10 on financial fraud and exploitation.)
- Anna M. Rappaport and Sally Hass, *Management of Post-Retirement Finances for the Age 85 and Over Population: Some Advice and Lessons from Personal Experience*, Society of Actuaries Pension Section News, February 2017

THE SIGNIFICANCE OF GENDER DIFFERENCES

By the time the population reaches age 85, major differences by gender have emerged. There are many more women age 85 and older than men. Women are much more likely to be alone, and they are more likely to have been caregivers. Men are much more likely to have a spouse to care for them. Men are also likely to have larger incomes. Women are more likely to need long-term care.

FOR MORE INFORMATION

- *Women and Post-Retirement Risks*, Society of Actuaries, 2018

HOUSING AND SOCIAL INTERACTION

Nonfinancial assets, primarily housing, have a greater value than financial assets for many middle-income retirees. This is often true for retirees age 85 and over, but this group does not usually think about the value of their house as a possible vehicle to help finance their retirement. Some do think about the house as the ultimate emergency fund or legacy for their children, however. These and related findings emerged from the SOA's *2017 Survey of Post-Retirement Risks and the Process of Retirement*.

Although today's retirees do not focus on their home value as part of their assets, some experts expect that home values will play a greater role in funding retirement in the future. In addition, SOA research indicates that today's older retirees do not view reverse mortgages very favorably, and most are unlikely to use them.

In the SOA research, the age 85 and over retirees expressed a preference to stay in their current living situation as long as possible, although a few said they would like to move to an environment where there is more social interaction, if they can afford to do so. The telephone survey found that a majority (68%) own their home free and clear, and an additional 13% own their primary home but have a mortgage. Nine percent rent, and 9% have some other primary living arrangement.

About two-thirds (66%) said they live in their home alone, with more women (74%) living alone than men (49%). Women are also more likely to be widowed. Among the one-third (34%) who live with others, more live with children (52%) than with a spouse or partner (45%). Those with higher asset levels are more likely to live with a spouse or partner (69%), a factor that might account for their higher level of assets.

One in five (18%) report living in some type of continuing care community or one that provides activities and meals, but it should be remembered that these are respondents without limitations that prevent them from taking a telephone survey. A larger majority have been in their homes for over 10 years (82%).

The living arrangements of parents of the children surveyed are quite different:

- Half of the adult children (50%) reported that their elderly age 85 and over parents live in their own residence, while close to half (43%) said their parents live in some type of community setting.
- A majority of adult children (59%) said their age 85 and over parents have moved once (39%) or more (20%) during retirement.
- For those that did move, the primary reasons given were to be in a residential community with services (39%), to be able to manage better physically (34%) or to be close to a child or other relatives (32%).
- Some also moved because upkeep on the old house was too hard (25%) or because the house was no longer safe (18%).

This is her home. She’s always said that. She’s lived here all her life, and she wants to end it here. That’s the one thing that we’re adamant about . . . She’s got five children, and between the five of us, we take turns. Whatever it takes to keep her in her own home.

Adult child, \$50K-or-more-asset female, Los Angeles

The results of the SOA interviews with this elder population were generally consistent with the surveys. Most of those interviewed said they prefer to stay in their current residence for the rest of their lives. Many realized, however, that they would not be able to do this if they could not take care of themselves. The parents of the children who were surveyed generally said they moved because of necessity rather than because of wanting a new home.

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

The SOA retirement risk research, as well as other studies, indicate strongly that people prefer to remain in their own homes. However, data from the Pew Research Center show that about 40% of women age 85 and older are no longer in their own homes, and that living arrangements are different by gender and different than arrangements at earlier ages. See Table 5 for details on living arrangements.

Table 5
LIVING ARRANGEMENTS FOR OLDER MEN AND WOMEN, 2014

Type of Arrangement	Women Ages 65–84	Men Ages 65–84	Women Age 85 and Up	Men Age 85 and Up
Nursing home or other group quarters	2%	2%	13%	8%
Unmarried, living with other family or nonfamily	8	7	7	6
Unmarried, living with own children	13	4	23	10
Living with spouse	46	69	12	49
Living alone	30	17	46	27

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

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

Important research from the Sightlines Project research²⁸ found that social engagement is one of the major components of successfully living to high ages. The current and desired level of social interaction varied greatly among age 85 and over retirees.

This telephone survey found that almost eight in 10 respondents (79%) reported having a semiactive (38%), active (24%) or very active (17%) social life, with those having more than \$2,000 in income more apt to report being active or very active than those with less than \$2,000 (51% versus 36%).

Health status helps put these findings in perspective. Because the telephone survey was done directly with those over age 85, it did likely achieve a healthier sample of this age group, that is, those not in care, without cognitive issues and with adequate hearing. When asked about their health, only one in four reported being in fair (17%) or poor (8%) condition. Over four in ten (43%) described their health as excellent or very good. Over seven in 10 (71%) were able to manage their daily lives with at most minor support from others.

The interview results were generally similar and showed substantial variability in activities. Some people were still very active even at their advanced ages, while others were quite sedentary, mostly watching television. Most had lost a significant number of their lifelong friends and rely heavily on family or a few friends living nearby for social interaction.

The family was particularly important for those who were less physically and mentally capable and for some of those who did not have remaining friends. The decline in activities and the loss of friends was more pronounced in this age group than among individuals who are five or 10 years younger.

Note: The preliminary study focused on one group in assisted living.

FOR MORE INFORMATION

- *Post-Retirement Experiences of Individuals 85+ Years Old: In-Depth Interviews*, Society of Actuaries, 2017
- *Post-Retirement Experiences of Individuals 85+ Years Old: Survey Report*, Society of Actuaries, 2018
- *2017 Risks and Process of Retirement Survey: Key Findings and Issues, Housing in Retirement*
- Anna M. Rappaport, *Improving Retirement by Integrating Family, Friends, Housing and Support: Lessons Learned from Personal Experience*, Society of Actuaries
- Anna Rappaport and Sally Hass, *Practical Issues in Financial and Life Management for the Late-in-Life Population*, Society of Actuaries, 2017

28 The Sightlines Project research conducted by the Stanford Center on Longevity focuses on successfully living to high ages. The Society of Actuaries is a sponsor of this research. See <http://longevity.stanford.edu/the-sightlines-project/>.

Observations on 85 and Over Trends

THE CHANGING ENVIRONMENT AND QUESTIONS FOR THE FUTURE

The group that is age 85 and over spent most of their working life in an environment that is different from the workplace today. It was a significantly male-dominated workplace, and many of the women age 85 and over today did not work outside of their homes. Men were also often the primary decision-makers in their families.

Many in this age group told SOA researchers that they remember spending part of their childhood during the Great Depression, and that their parents all experienced the Great Depression. This population does differ, though, by cohort and age group. It is not known to what extent the attitudes and behaviors of today's age 85 and over population reflect aging and changes based on age, and to what extent they are influenced by the experiences of their earlier lives.

Future retirees will have experienced a different employee benefit system. Over the last 30 years, a massive long-term shift occurred, moving retirement planning away from defined benefit retirement plans and toward defined contribution plans. Even so, many of today's retirees are receiving benefits from defined benefit plans. This is significant because defined benefit plans encourage retirement at specific ages, but defined contribution plans do not. This means that more future retirees will enter "retirement" at different ages and in different ways, such as phasing into retirement.

Another important distinction is that defined benefit plans typically pay out benefits according to plan design with little or no input from the individual. By comparison, defined contribution plans require much more involvement from the individual to manage savings and investments both before and after retirement. Those with defined benefit plans also have to plan how to draw down their assets in retirement to provide lifetime income.

Today's 85 and older group lives near children and most have children. Future groups may have fewer children and be less likely to live near them. The values of the 85 and older group today are partly shaped because they grew up in the Depression and experienced World War II. Future groups will have different life histories and may have different values.

As the Baby Boomer generation ages and lives longer, many more people will one day be part of the over age 85 population. How this will impact retirement remains to be seen. Today this age group is heavily female and many are widows, and experts predict that this is likely to continue.

Many countries have witnessed major increases in life spans over the last 100 years. However, after experiencing mortality improvement in the U.S. for decades, some demographic groups in the country, particularly lower-middle-income Americans, have experienced recent increases in mortality rates. The continuing opioid epidemic, rising suicide rates and growth in violence have contributed to some of this increase. Going forward, experts predict mortality will improve once again due to medical advances and other factors, but there is no consensus about how rapidly those improvements will come.

Legislation enacted in 1983 increased Social Security retirement ages, with phase-in starting with people born in 1960 or later and the full benefit retirement age reaching 67. Nothing further has been legislated since 1983. Private employers have often avoided dealing directly with the issue of retirement ages by switching to defined contribution plans.

During the last 25 years, globally retirement ages in public benefit programs have increased somewhat, but they have not kept up with the changes in longevity. The trend to defined contribution plans has extended beyond the U.S., with benefit patterns varying by country. Periods of retirement generally continue to grow. In the U.S., some individuals have chosen to work longer, and the ages at exit from the labor force have been rising slowly.

These changes raise many questions about the aging of baby boomers and the next generations: How will society adapt to a much larger population at very high ages? What services will be provided and who will pay for them? Will individuals age 85 and over in the future also be frugal? How resilient will they be? Will they rely on families in the same way? What alternative housing arrangements will be available for them?

We do know that the next generations will face changes as they age during retirement, but we do not know to what extent they will be different from today's age 85 and over group. This has implications for planning in health care, elder support services, housing and many other areas.

U.S. VERSUS CANADA

People living in the U.S. and Canada have many similarities in retirement patterns, but there are some key differences as well. The market for long-term care services is quite different in Canada, and the services are less expensive. Health care financing is very different in the two countries, since Canada has national health insurance while the U.S. generally uses a private insurance structure until Medicare starts at age 65 or Medicaid is needed. But for the age 85 and over population, major differences are not evident; retirees in both countries rely heavily on the public programs, including for coverage for most acute care.

FOR MORE INFORMATION

- *The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups*, 2013
- *Post-Retirement Experiences of Individuals Retired for 15 Years or More*, 2016
- *Post-Retirement Experiences of Individuals 85+ Years Old: In-Depth Interviews*, Society of Actuaries, 2017
- *Post-Retirement Experiences of Individuals 85+ Years Old: Survey Report*, Society of Actuaries, 2018

AREAS FOR FUTURE RESEARCH

Much SOA research focuses on improving the overall functioning of the retirement system and the security of the citizens. Future research will need to address some gaps that remain, such as those listed here:

Blended families. Many American families today are blended families, but they are not as prevalent in today's 85+ population as they are in younger demographics. Some blended families were blended when the children were young, and some much later. Since adult children have traditionally been a major source of help to adults at high ages, questions have surfaced about whether and how blended families will provide such help. For example: Will blended families feel the same obligations and be as helpful to both parents? Will stepchildren be helpful to the stepparent after their natural parent dies? Further research is needed on the topic of blended families and family support and help.

Elder orphans. Many people do not have family members available to help them. Research is needed to understand the prevalence of elder orphans, the issues they face and the types of resources needed to meet them.

How Medicaid fits in. A relatively small minority of Medicare beneficiaries are also covered by Medicaid. But Medicaid is an important payer of long-term care, so research is needed to identify the associated financing issues as well as what families need to know in this area.

Preparing for cognitive decline. The work surfaced several questions in connection with preparing for cognitive decline. The issues range from legal to financial and family related.

Innovations in care. Researchers could help identify where innovations are needed for in-home care, long-term care and housing for the 85 and over age group, as well as related issues for providers, seniors and their families.

Fraud. The important areas for future study continue to be on ways to prevent and deal with fraud and exploitation in the 85 and over population

TIPS BASED ON THIS RESEARCH

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

Tips for Retirees and Their Advisors

- **Maintain your health.** Stay involved in proper dieting, exercising and making social contacts. Consult with doctors and other medical providers to develop a healthy aging program.
- **Work with an attorney to put the right legal documents in place.** The major documents include wills, medical directives and powers-of-attorney. Trusts are a good solution in some cases. (Legal issues are vital, but beyond the scope of this report.)
- **Think longer term.** Things happen after age 85. It is important to remember that many people live to higher ages and to think longer term and plan for the rest of your life.
- **Remember, married couples often become singles.** A couple needs to plan to the end of life for the longer-lived partner. For married couples, a retirement plan should be designed to work for the couple, but also for each if one dies, or if they separate or divorce.
- **Don't forget long-term care planning.** A plan to manage long-term care is important. The SOA research shows that it is often forgotten.
- **Family is very important.** Family often steps in when needed to help with many tasks but is usually not considered during the planning process. Add family discussions to the planning.
- **Be careful about providing financial help to family.** Seniors often help family and sometimes provide funds that they need for their own security.
- **Maintain an emergency fund.** An emergency fund immediately offers funds for home and auto repairs, unexpected medical costs, family and other needs.
- **Households without family support should build a support network.** Households who do not have direct family support need to think about what type of support network they can build. This is particularly critical for people living alone. Options might include friends, neighbors, senior centers and senior housing communities.
- **Assess whether current housing will fit expected future needs.** Keep in mind that needs and possibly resources change over time. If it looks as if housing will not work because of physical limitations, distance from family or help or cost, then plan ahead and identify options that would work as a next step. This may include different options depending on specific needs.
- **Move if the current location does not fit your needs anymore.** Remember that some settings are much more age-friendly than others.
- **Maintain social contacts and look for new opportunities for social contacts.** People who lose friends and family may need to look for new contacts.

Tips for Individuals Who Are Helping Seniors

- **Spend time taking care of yourself.** Caregivers are under stress and it is important to maintain personal health and take time off from caregiving.
 - **Get additional help for care and finances if needed.** When there are tasks that are difficult, caregivers should seek out the help they need to keep things at a manageable level.
- Make sure legal documentation is in place.** The person being helped should have a will and documents to set forth how affairs will be managed if they can't make decisions. The caregiver should know where to access such documents.
- **Understand the resources that are in place for support.** If necessary, build the network that will help meet personal needs. In some cases that will include support groups tailored to the situation or local community organizations.
 - **Secure copies of all legal documents and financial information.** This applies to those who are helping with the elder's finances as well as others who need to know.
 - **The helper and the person being helped should define communication instructions.** What information can be communicated, to whom and when? The family often wants information, but the older person may want privacy with regard to health and financial issues. Some older individuals may be willing to communicate with some family members but not others. The helper or caregiver needs to take steps to avoid getting caught in the middle. Better communication is often a path to a better result, but each situation is different.
 - **Inform interested family members of the instructions.** Other family members often want to know the instructions. The person being helped and maybe the helper should communicate to all who need to know.
 - **Be prepared for the possibility of cognitive decline.** The helper working with the elder needs to know the person who has been designated to provide confidential advice should a conflict or troublesome situation arise.
 - **Learn about the person's philosophy and choices.** If working with medical decisions, understand the person's philosophy and likely choices about treatment, particularly near end of life. If a financial helper, discuss and understand philosophy about matters such as charitable giving, gifts to family and loans.
 - **Take active steps to minimize the chance of family conflict.** The helper should focus on what initial and ongoing steps will minimize the chances of conflict and should initiate them.

Tips for Financial Service Organizations and Employee Benefit Sponsors

- **Target financial wellness programs.** In designing financial wellness programs, remember that needs and situations change over retirement. This affects both retirees and the children of retirees. Messages should address these situations.
- **Expand educational materials.** Include educational information about widowhood, social networks, long-term care needs, housing and caregiving.
- **Consider enhancing financial products and support services for higher age individuals.** Enhanced products may receive additional acceptance in the marketplace.
- **Establish procedures for dealing with cognitive decline.** Include automated screening of transactions and instructions, procedures if passwords are changed and training of advisors, bank branch employees etc. (Different jurisdictions have different legal requirements.)

- **Help educate on the possibility of cognitive decline and the need to prepare for it in advance.**
Depending on organizational structure, this outreach might include not only clients, customers and benefit plan participants but also the people who are designated helpers. Establish an “in case of emergency” contact (different from the normal helper) who can be contacted if something seems to be wrong or if concerns arise about the individual or their helper.
- **Keep in mind that the over age 85 population is a growing market.** Plans and structures that work today may not be sufficient to handle needs in the future, even five years from now.

Final Thoughts

The issues faced by the very old heavily affect their families, and they may need additional support at higher ages. Most respondents in the SOA's 85 and over research felt financially secure, and they were not as concerned about risks as younger individuals. But risks are there, even if not recognized.

For one thing, the trend had generally shown that more Americans, particularly women, have longer lifespans. Projections are that this will continue, despite the recent uptick in mortality rates. In terms of 85 and over issues, living longer means more years of planning with uncertainty about health status, financial resources, support, housing and similar issues.

The SOA findings also showed that, as people start needing help with managing finances, the financial strategies they had adopted earlier in retirement will likely need to be modified. In addition, people are likely to become increasingly frugal as they reach the upper ages. The good news is that shorter term cash flow planning is commonplace in the older age group. However, many respondents indicated that they have not made provisions for extensive long-term care and assistance spending. For the households that need such help, this can be a major problem.

Families are an increasing source of help and many older people said they live near family members. But those who have no family available to provide help have challenges in finding the support they need. People without cognitive decline and with good family helpers do have a number of paths to take that will work well in most cases. But if severe cognitive decline should occur, the road ahead becomes more choppy, as the person will need more extensive help, and families, if available, are not always able to provide this help. The survey did find that most people want to stay in their homes to the very end. However, the research shows that many who face changing needs or resources ultimately find they need to move.

The potential for fraud and financial exploitation is another risk for the 85 and over population. SOA research has found that the risk becomes greater as older people become increasingly unable to manage on their own. States, companies and institutions are taking steps to help combat elder fraud, including educating older people, their families and others who assist them on warning signs. As with all other challenges, however, these educational efforts require ongoing vigilance.

The bottom line: Like other demographic groups, the age 85 and older population has its share of positives. Some examples include good health, enough wealth and close family and friend networks. But again like other age groups, this demographic faces its own set of risks and challenges, such as serious health decline, uncertain housing, loss of spouses and close friends and exposure to fraud, among others. The many people who guide and advise individuals in this age group can help prepare elders for what lies ahead through informed planning and support.

Appendix

MORE ABOUT THE RESEARCH

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

The research approaches include the following:

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

ACCESS THE REPORTS

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

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Note: The content of this research brief is a combination of the author's own ideas and findings drawn from the research described in the brief. The tips reflect the author's opinion. The ideas and tips are not the opinions of the Society of Actuaries or any committee thereof.