

Aging and Retirement

Overview of 2019 Research Results

2019 Risks and Process of Retirement Survey:
Key Findings and Issues





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AUTHOR Greenwald & Associates

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INTRODUCTION

For more than 18 years, the Society of Actuaries (SOA) has studied post-retirement risks—identifying risks and how they are managed. The 2019 Risks and Process of Retirement Survey, conducted on the SOA’s behalf by Greenwald & Associates, represents our 10th biennial study on this topic. Each survey combines some recurring questions and different areas of emphasis. From year to year, there are some major findings that do not change much, even though the environment has changed. During the time since the survey series started, there has been a shift to defined contribution plans and there have been two periods of economic turmoil, including a major stock market decline and slow recovery in housing prices and wages. There had been a period of sustained economic growth just before this survey was fielded that could have affected how pre-retirees think about and plan for their future. Since then, we have entered a period of uncertainty with the COVID-19 pandemic. This report provides an overview of selected key results.

Additional reports and fact sheets in this series provide a more detailed examination of specific topics that emerged in the 2019 research, and a detailed report of the entire survey provides all results and analysis for all topics covered. These topics include work and lifetime financial security, financial expectations versus realities in retirement and the realities of retirement as they pertain to emotional issues relating to retirement.

The 2019 Survey

This report presents the results of an online survey of Americans ages 45 to 80 conducted in June 2019 by Greenwald & Associates on behalf of the Society of Actuaries.

The questionnaire for the study was designed by Greenwald & Associates, in cooperation with the SOA Committee on Post-Retirement Needs and Risks and the Project Oversight Group appointed by that committee. A total of 2,316 interviews (1,046 pre-retirees and 1,051 retirees, plus an additional 219 oversampled to fill quota groups) lasting an average of 20 minutes were conducted using Research Now’s online consumer panel, from June 10 through June 30, 2019. Quotas were set for those with major health problems, those who had experienced at least a three-month period of unemployment or underemployment, and those over 65 without children and living alone. The quotas added to the design to help the SOA do a separate analysis on the special situations included

As in previous iterations, respondents were classified as retirees if they described their employment status as retiree, had retired from a previous career or were not currently employed, and were either age 65 or older or had a retired spouse. All other respondents were classified as pre-retirees. The questions to determine retiree or pre-retiree status were asked early in the questionnaire.

The sample data are weighted by age, sex, education and household income to match targets obtained from the March 2018 Current Population Survey (CPS) to be reflective of the overall population of the two study groups within the population. This study includes pre-retirees and retirees at all income levels.

The study examined several repeating and new topics:

- Americans’ retirement risk concerns and preparedness
- Their income and spending in retirement
- The process of retiring
- The impact of unemployment or underemployment on retirement readiness
- Nonfinancial issues including the adjustment to retirement and the emotional realities of retirement
- The role of family support in retirement

This survey, like its predecessors, indicates the great financial/emotional challenge of the retirement period.

PERSPECTIVES FROM SOA REVIEW GROUP

The Society of Actuaries has been doing research on how the public views the post-retirement period for nearly 20 years. This 10th biennial survey in the series has been designed to explore some new areas and to provide greater insights about how specific events or situations can impact retirement. The SOA aging and retirement research in total is designed so that new areas of inquiry add to the overall body of knowledge. This discussion offers some of the thinking and motivation behind the survey.

Some Insights With Regard to the 2019 Survey

It seemed clear to the committee members that work history is a vital part of lifetime retirement security and there are some unanswered questions with regard to that area. In 2019, we added a new section to look at the impact on retirement security of time out of work after age 50 and found that about four in 10 respondents experienced time out of work and, for many of them, this affected their retirement security. We also included the process of retirement as an area of exploration and added some new questions to find out what types of work people did when they worked in retirement. That section of the survey showed diverse experiences when people worked in retirement. It also showed that as in previous years, pre-retirees expected to retire later than retirees actually had retired, and that pre-retirees expected to work more in retirement than retirees actually did.

From other SOA projects and sources, we observe that life spans are continuing to increase while expected and reported retirement ages are staying the same, and therefore periods of retirement are lengthening. We also note from different sources that many people believe age discrimination persists. How and when we retire, the ability to work to desired retirement ages and how we work as part of retirement are areas for future research.

The SOA has expanded its research on retirement with the formation of the Aging and Retirement Strategic Research Program in 2018. That program is taking a broader look at issues related to aging and retirement. A key finding from the Sightlines Project at the Stanford Center on Longevity is that social engagement, financial stability and health are all critical to successful retirement. The SOA is a sponsor of this research. A key finding from the SOA's research into retirees age 85 and over is the importance of the family in helping people as they need help. This survey includes two sections that broaden the scope of the post-retirement risk survey series and follow up on these two items. One is a section on the realities of retirement, and the second is a section on family engagement. While each section offers new data, it also offers more questions and the potential for more research.

In addition to the research on people over age 85, the SOA sponsored an essay contest on the importance of the family in retirement security. The focus on the family has led to questions about what the situation is like for people who have no family or where the family is not available. This led to thinking about how to learn more about this group in this survey in 2019. The decision was made to create a sample within the survey of people aging alone, so that we could learn where they are different, how they are different and what plans they may or may not be making for their future. A major finding was that many of them did not have anyone identified who could help them when they needed help; this is a cause for concern among the majority of those without a planned support system, particularly among those with lower wealth.

We were also interested in learning whether financial shocks to the economic system and other adverse events had long-term effects. In addition to the question about time out of work, there was a sample of people who had experienced major health events. That sample also showed some long-term effects. Another way of testing the impact of long-term events was to ask a question about whether the 2008 Great Recession had impacted the respondent's retirement since 10 years have passed. One-third of the respondents indicated it impacted their retirement. This survey added several pieces of information about the longer-term effects of adverse events. It seems clear that these adverse events have lasting impacts which affect retirement security for some people. Learning more about these impacts will likely be an area of continuing inquiry.

Comment on the Key Findings

A major repeating question in the SOA Risks and Process of Retirement Surveys is how concerned pre-retirees and retirees are about a series of post-retirement risks. The biggest finding of the 2019 survey was a definite reduction in the level of concern about most risks compared to most previous years the survey was conducted, including 2017. This paralleled a reduction in risk concerns that surfaced in the 2019 Retirement Confidence Survey, published by the Employee Benefit Research Institute (EBRI) and Greenwald & Associates.

The Project Oversight Group discussed whether the reduction in concerns is good or bad news and did not have a conclusive answer. The reduction in concerns may mean that people are really doing better, the long period since the last recession has people feeling more optimistic or some people are blind to reality and not aware of the challenges they are likely to face in the future. It would be good news if people are doing better, but bad news if too many people believe they are doing better than they actually are doing. The view of the SOA Review Group, a subgroup of the POG, is that it is unclear which explanation applies here.

One of the issues underlying the current situation is growing economic inequality. The impact of growth in the economy is not shared equally by economic status. Census data suggests that many people in the middle and lower economic groups have not experienced wage growth, are struggling and do not have the assets to benefit from good returns on investments. When the survey results are viewed by income, there are considerable differences in risk concerns by income group and in the responses to a number of other questions. Economic wellness today is a function of which segment is being looked at.

It is also interesting to note that the 2019 survey included a new question focused on whether retirees were doing as well, better or worse financially as they expected while they were working. Over three-quarters said they were doing as well or better than they expected, which certainly seems to be good news. However, the responses to that question are very different based on income. More than 35% of retirees with less than \$35,000 of income are doing worse than expected, 46% are about the same and 17% are doing better. In contrast, 10% of retirees with \$75,000 or more of income say they are doing worse than expected, 36% are doing about the same and 54% are doing better than expected. This implies a good situation for those with higher incomes and a much worse situation for the lowest income groups.

Long-Term Themes and 2019 Results

Several themes have persisted throughout the years of this research, including the gap between pre-retiree plans and expectations and the experiences of retirees. The expected and actual ages of retirement reported by these groups have shown very little change over the years, and none in recent years—the median expected age of pre-retirees has been 65 since the second wave of research in 2003, and the median age of retirees has stayed stable at about 60 since 2013. There are also differences with regard to the process of retiring—all at once versus a phased retirement. More pre-retirees expect to phase out than retirees actually did. And more pre-retirees expect to work as part of retirement than retirees do. These differences in expectations versus reality seem linked to the fact many of the retirees were pushed by employers rather than choosing to retire when they did. Prior research done by the SOA has showed that many retirees had been pushed into retirement. It seems likely this is still true, even though this issue was not directly explored in this study.

An important repeating question throughout the survey series deals with levels of concern about various post-retirement risks. There are two important sets of findings that have been consistently seen in the survey series.

- The same three top concerns for retirement—concerns about inflation and affording long-term care and health care—have repeated year after year. The order has changed but the top three have remained the same. It is somewhat puzzling that there is not more concern about long-term care than health care,

perhaps since Medicare covers a large part of the cost of acute medical care and most people have no insurance for long-term care.

- Pre-retirees continue to express higher levels of concern than retirees do, in all areas except for concern about being a victim of fraud.

The questions on risk perception lead to the most important finding in 2019: The level of concern has dropped from 2017 for nearly all risks.

The 2019 survey also included a new question that explored whether retirees were doing as well as they expected. About three-quarters are doing better or the same as expected and about one-quarter are doing worse.

RETIREMENT RISK AND PLANNING

Pre-retirees express higher levels of concerns than retirees do. Top concerns include inflation and affording care—both long-term nursing and health care—in retirement. Despite their concern about affording long-term care, very few retirees or pre-retirees have long-term care insurance. Some groups hold higher levels of concerns than others, including those with lower incomes, those who have major health problems or those who have experienced time out of work due to unemployment or underemployment. These differences exist among both pre-retirees and retirees—health and wealth have an impact on both groups.

Comment from the SOA: It is unclear whether the decline in level of concern is good news or not. It could reflect a real improvement in the situation of the respondents or simply more optimism. This issue might be considered together with the question that finds 76% of retirees say they are doing as well or better financially than they expected while they were working. This is particularly interesting since other studies have shown many retirees were pushed into retirement earlier than planned.

As discussed earlier, there are a number of reasons why achieving retirement security may be becoming more difficult over time for some groups of Americans. There is a growing wealth inequality in the United States, and that seems to also be reflected throughout the retirement years. While many retirees report they are doing well today, it is not clear from this data whether or not the decline in level of concern reflects an outlook for improved retirement security in the future.

RETIREMENT INCOME AND SPENDING

There are differences in actual income sources in retirement from the expectations of pre-retirees. Compared to the expectations of pre-retirees, retirees are more dependent on guaranteed income, particularly Social Security and, to a lesser extent, pension income, and less so on personal sources such as assets and work.

It has been over a decade since the 2008 mortgage crisis and stock market decline. The survey asked retirees what impact this event had on their retirement. One-third reported an impact and two-thirds reported no impact. The heavy reliance on Social Security and substantial reliance on pensions may explain why two-thirds felt there was no impact on their retirement.

In the 2019 survey, about three-quarters of retirees report doing the same or better in retirement than they thought they would when working. This contrasts with the pre-retirees, a majority of whom expect their expenses to be the same or higher, with more than half expecting their income to have less buying power than it does now. It is unclear whether this reflects an improvement in the situation of retirees over time, or bigger concerns by pre-retirees about the uncertainty they face, which lessen when they adjust to retirement. Both the SOA risk survey

series and EBRI/Greenwald's Retirement Confidence Surveys have generally shown that pre-retirees are more concerned on most individual risks.

Retirees are much more likely than pre-retirees to have a plan for spending in retirement, though the approach to managing assets in retirement is similar across both groups—about one-quarter have no plan, and the majority of those who have a plan, are planning to maintain or grow their assets in retirement.

THE PROCESS OF RETIRING

Pre-retirees have consistently expected to retire later than retirees actually retired. The median age of retirement has remained steady over the last several years, with the median age of retirement for retirees standing at 60, and the median expected age for pre-retirees remaining at 65. Pre-retirees expect to phase out of working into retirement by gradually decreasing their hours at higher rates than retirees actually did. Once retired, only a minority of retirees work again—when they do, it is often by choice and in a role that has less responsibility than the role they left, with a more flexible schedule. Pre-retirees are far more likely to expect to work again. However, retirees with lower income, aging alone or with gaps in employment are more likely to work for pay again than retirees who do not face these challenges.

EMPLOYMENT CONCERNS

In 2019, the SOA decided to explore some areas of experience that might affect retirement security. Many planning models assume relatively stable employment and gradually growing wages over a very long time. But the reality can be quite different for some people, and a period of job loss or lost income can impact decisions and planning around retirement. This study focused on workers and retirees who have missed significant periods of work in the years close to traditional retirement to better understand this impact.

Four in 10 of the survey respondents missed some time out of work or were underemployed prior to retirement age. Many of those who missed work reported it had an impact on their retirement security. In an attempt to mitigate loss in income, many spend less, with few dipping into their retirement savings. Maintaining the level of employment needed to be secure in retirement is a concern for about half of pre-retirees. As in other areas, the impact of job loss before retirement has a greater impact on some groups than others. Respondents who are not married, less wealthy and/or don't plan for retirement are more apt to be affected by job loss. Couples in which both partners are working may be less impacted by the loss of one job since they have another income.

REALITIES OF RETIREMENT

In 2019, the SOA added a new topic looking at some of the nonfinancial issues linked to a successful retirement. A majority of retirees adjusted well to retirement; with only about one-third reporting it was an emotionally challenging experience for them. Among those who did find it challenging, over half adjusted within two years. After two years in retirement, the majority report being at least as happy as when they first retired and almost half of retirees report they are happier now. Just over one in 10 report feeling lonely at least fairly often.

Retirees engage in a wide variety of activities at varying frequencies, though at lower levels than pre-retirees expect to participate in activities. This is not due to barriers to their participation so much as it is due to their preference for spending time at home, the top reason given as limiting social engagement. A significant number of pre-retirees are concerned about having a purpose in retirement; however, not that many retirees report having social and emotional challenges. Health and wealth are important factors in the adjustment to retirement, with wealthier and healthier individuals adjusting better and being more active in retirement. Retired widows are more likely to report being less happy since they first retired than other retirees, though they do not report a more difficult transition and they participate in activities at the same level as others (aside from traveling, which they do less than others).

FAMILY SUPPORT AND AGING ALONE

Another new topic in the 2019 risk survey builds on earlier SOA research that documents the importance of family in retirement planning and how much family helps retirees who are 85 and older. While most have given at least a fair amount of thought to their later years of retirement, about four in 10 retirees and over half of pre-retirees do not have someone in mind to care for them as they age (aside from a spouse/partner). Among those, very few have planned for a support system to care for them later in life. Wealth plays an important factor in having a support system in place. The lack of having someone to care for them as they age is a cause for concern among the majority of those without someone in mind. Among those who do have someone to care for them, few have made arrangements with that person (most often a child) so far.

Among those who are married, a significant proportion have not discussed with their spouse how the surviving spouse will be cared for upon the death of one of them—an important gap in planning for the future for both retirees and pre-retirees.

EXPANDED DISCUSSION

Americans' Retirement Risk: Concerns and Preparedness

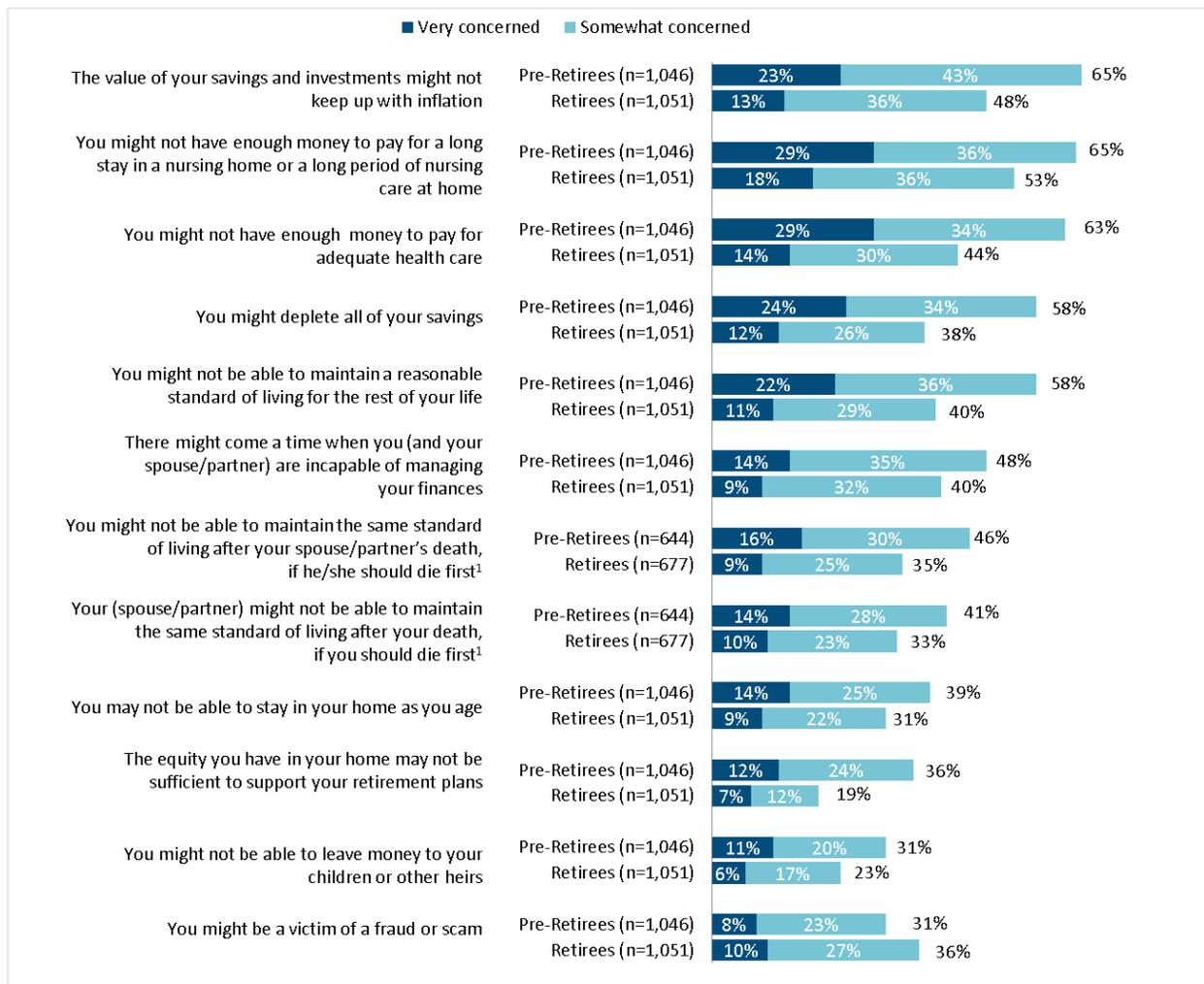
RETIREMENT RISK AND PLANNING

A primary focus of this study and throughout the entire series of 10 biennial post-retirement risk surveys conducted by the Society of Actuaries has been the level of concern pre-retirees and retirees have about the risks they may face in retirement and the planning they do surrounding these issues. See figures 1 and 2.

- Across a wide range of areas, pre-retirees and retirees have a lower level of concern than they had in prior years on almost all of the finance-related retirement issues measured in the survey. Inflation, health care and long-term care continue to be top concerns for retirees and pre-retirees. With the exception of financial fraud, retirees show less concern about these issues than pre-retirees. Those with lower incomes show much higher levels of concern.
- The lower levels of concern this year relative to prior years' research are a key finding and have been seen in EBRI/Greenwald's Retirement Confidence Survey as well. One explanation may be the bull market at the time the survey was fielded.

Figure 1
CONCERNS IN RETIREMENT

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



1. Asked among those with a spouse or a partner

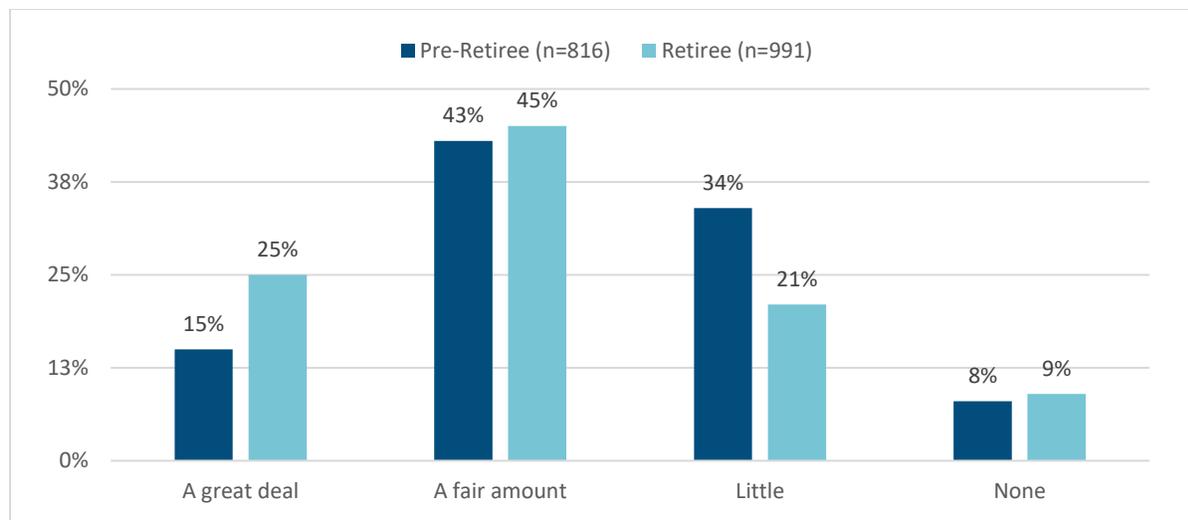
- A majority of pre-retirees and retirees have done at least a fair amount of planning to be sure that they will be financially secure throughout retirement—retirees more than pre-retirees. Despite this, fewer have actually met with a professional financial planner.

Figure 2

PLANNING DONE TO ENSURE FINANCIAL SECURITY THROUGHOUT RETIREMENT

How much planning have/had you (and your spouse/partner) done to make sure that you will be financially secure throughout your retirement?

(Filter: Plan to retire/consider themselves retired)



- Among married or partnered respondents, few do a great deal of planning surrounding issues that arise when one partner dies, but up to half or more do at least a moderate amount. As expected, retirees are more apt to plan than pre-retirees.

RETIREMENT INCOME, STANDARD OF LIVING AND ASSET MANAGEMENT

The retirement risk survey also addresses the issue of day-to-day management of finances in retirement.

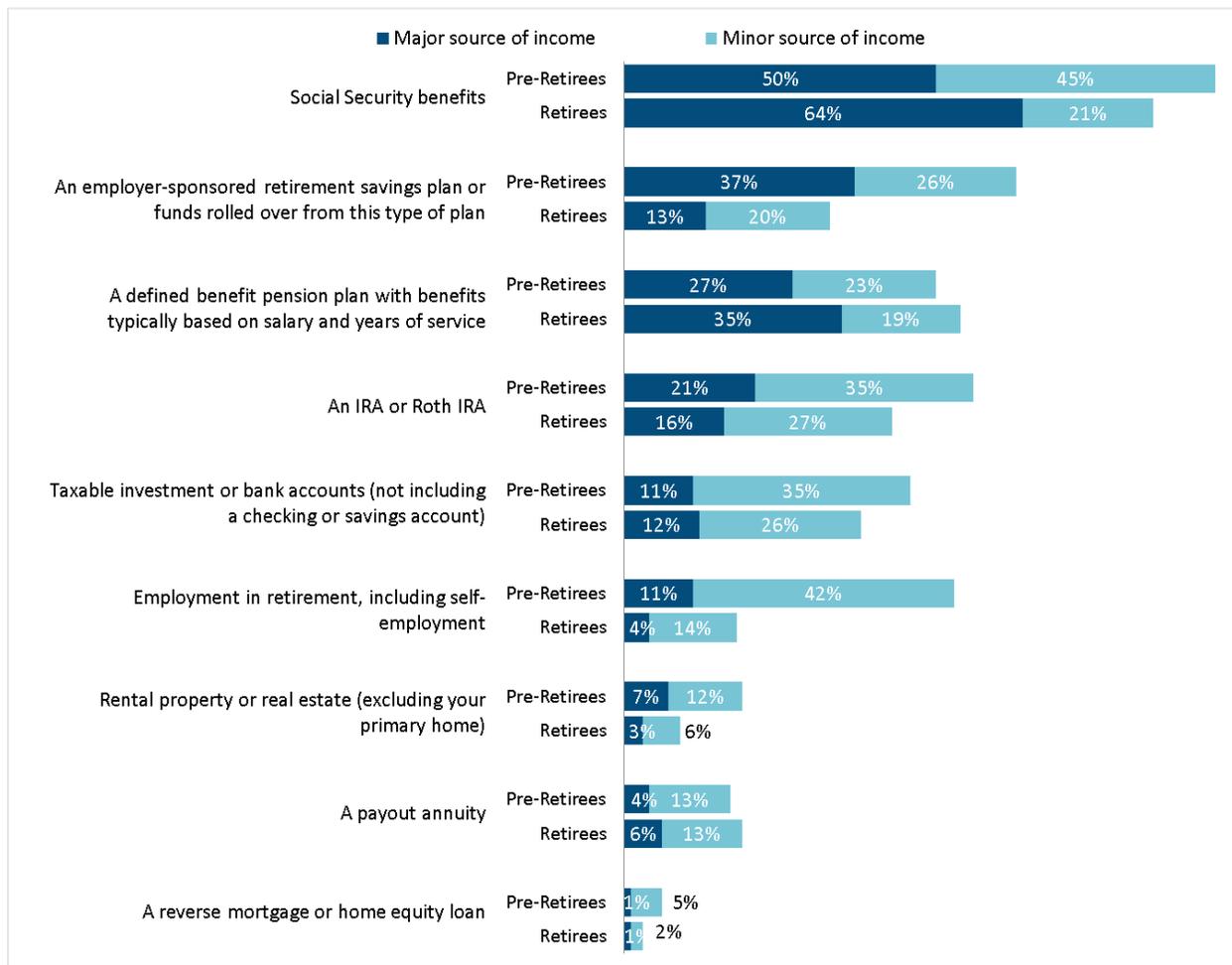
- As found in SOA trend data and other research, retirees are more likely to have guaranteed sources of income than pre-retirees expect to have, relying on Social Security and on traditional pensions, which have been disappearing for the working population. Pre-retirees are more apt to expect to rely on their own savings, either through retirement savings plans or individual retirement accounts (IRAs). The tendency to rely on personal savings increases greatly with assets and income. Very few in either group expect to use a payout annuity or reverse mortgage/home equity loan. See Figure 3.

Figure 3

SOURCES OF INCOME IN RETIREMENT

Which of the following do you expect will be/are a major source of income, a minor source of income or not a source of income for you and your spouse's/partner's retirement?

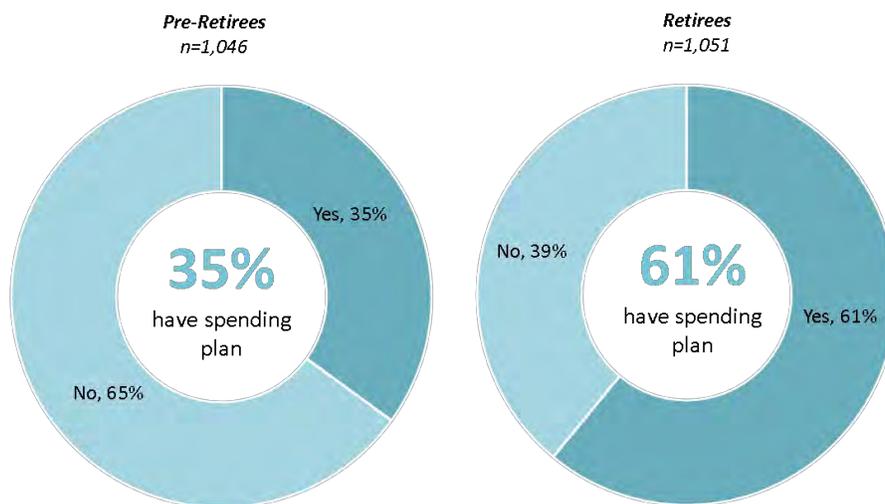
(Pre-retirees, n = 1,046; retirees, n = 1,051)



- Retirees are more apt to have a plan for their retirement spending than pre-retirees who have not yet reached these years. Most retirees and pre-retirees who have a plan for their assets either plan to maintain or grow them in retirement with only one in five of each group planning to spend their assets down. See Figure 4.

Figure 4
SPENDING PLAN FOR RETIREMENT—PRE-RETIREE VS. RETIREE

Do you currently have a plan for how much money you will spend each year in retirement and where that money will come from?

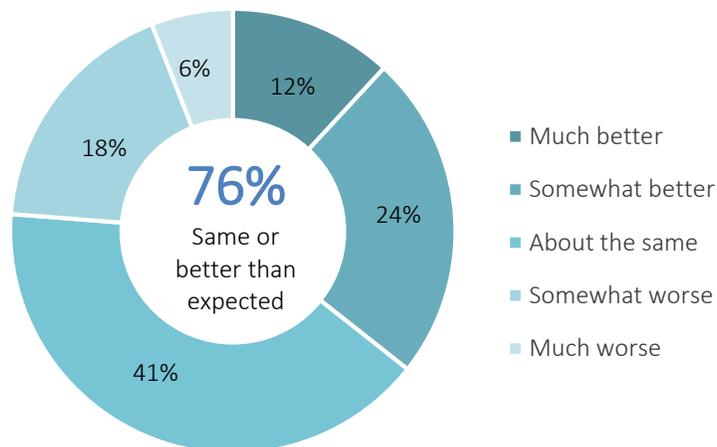


- Most pre-retirees don't expect to have the same buying power in retirement that they have now, and most workers expect their expenses to be about the same or lower in retirement, unchanged since 2015. Only four in 10 expect that their expenses will be at least a little lower.
- In contrast to the concerns and expectations of pre-retirees with regards to expenses and buying power, a large majority of retirees say they are doing the same or better than they thought they would when they were working. See Figure 5.

Figure 5

HOW RETIREES ARE DOING IN RETIREMENT COMPARED TO EXPECTATIONS

Based on where you thought you would be financially in retirement when you were working, would you say you are doing ...? (Retirees, n = 1,051)



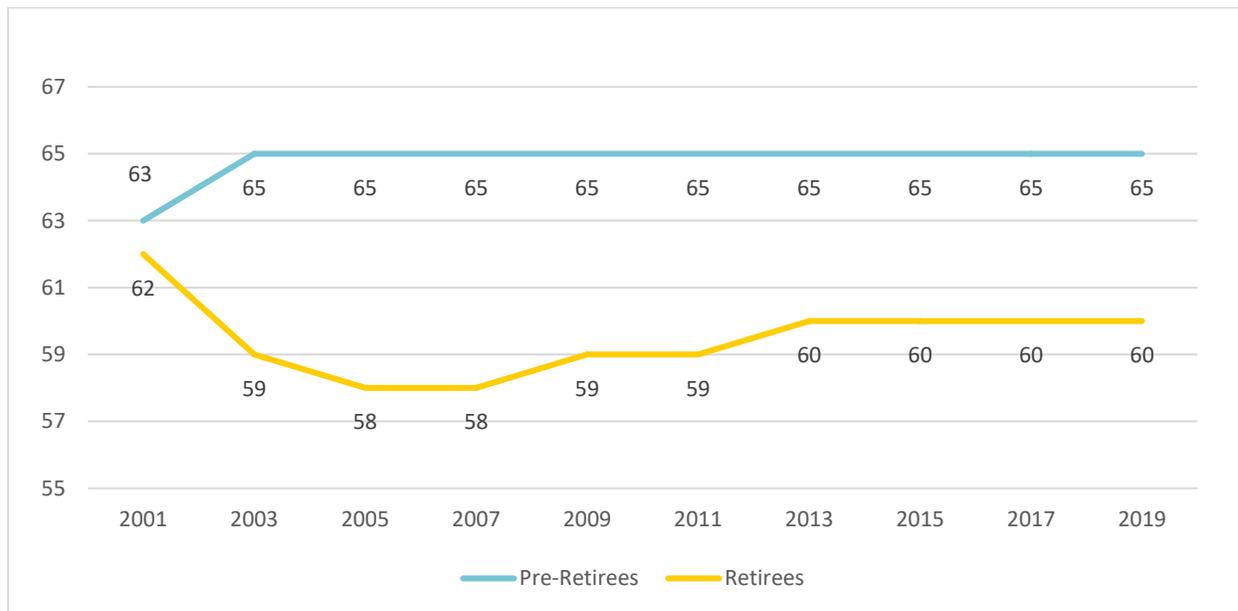
- The 2008 financial crisis has had an emotional or behavioral impact on one-third of retirees; one in five report it made them feel less secure about their retirement.
- While about one-quarter of pre-retirees expect to support someone other than themselves or their spouse in retirement, fewer than one in 10 retirees do so. In most cases, the recipient of support is children, and in half the cases for retirees, the people they support reside with them. A small percentage also provide at least some support to those they consider not to be part of their immediate family.

THE PROCESS OF RETIRING

The age of retirement has been a focus of all the SOA post-retirement risk surveys. The 2019 survey examines the transition from full-time work to full-time exit from the labor force and the extent to which working is a part of retirement. A key issue is the extent to which pre-retiree expectations differ from retirees’ reality.

- Over half of pre-retirees expect to retire at age 65 or older while over half of retirees retired at age 61 or younger. Neither of these have changed much over the years. The median expected retirement age of 65 for pre-retirees has not changed since the second wave of the survey in 2003 and the median age of retirement for retirees has stayed at 60 since 2013, despite an increasing Social Security retirement age. See Figure 6.

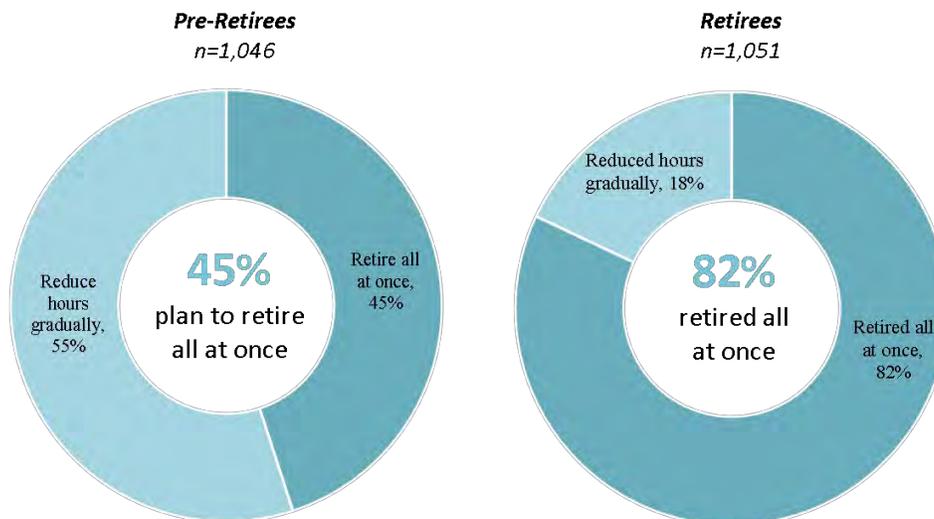
Figure 6
MEDIAN EXPECTED/ACTUAL RETIREMENT AGE—TRENDED 2001–19
Expected/actual retirement age (from primary occupation)



- Over eight in 10 retirees stopped working for pay all at once but only 45% of pre-retirees expect to do so. There has been an upward trend for this statistic among retirees and this year represents the highest level seen over the six times the question was asked in prior surveys. See Figure 7.

Figure 7
RETIREMENT EXPECTATIONS VS. REALITY

Which statement comes closest to describing how you plan to retire/retired from your primary occupation?

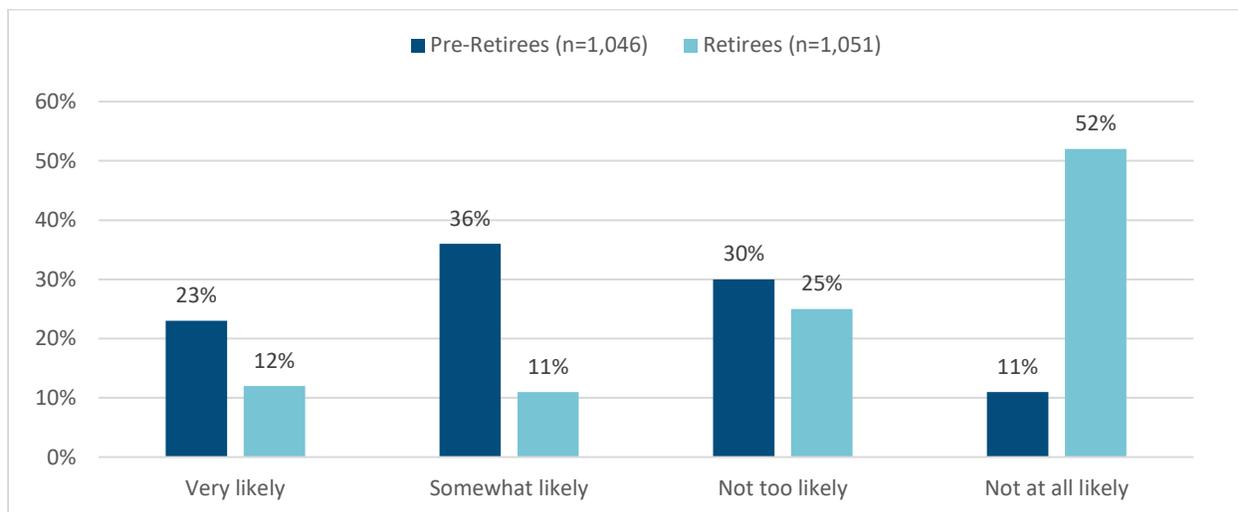


- About two in 10 of retirees claim that it is at least somewhat likely they will work again for pay someday, while close to six in 10 pre-retirees say they will do so after they retire. See Figure 8. Almost two-thirds of retirees have not worked again for pay since retiring. Among those who did work after retirement, only a little over one in five maintained a job requiring the same skills and the same or more responsibility. Almost six in 10 of the jobs retirees performed had a flexible schedule.

Figure 8

LIKELIHOOD OF WORKING AGAIN SOMEDAY

How likely is it that (after you retire) you will work again someday?



- Indeed, lower income pre-retirees are more likely to plan to retire later, plan to reduce hours rather than retiring at once and plan to work again.

As has been observed throughout the history of this research, pre-retirees anticipate working longer than retirees actually did work. Most retirees report they stopped working altogether at the time of retirement, while more pre-retirees expect to phase out their retirement by gradually decreasing hours worked.

Once retired, a little over one-third work again, and when they do, it tends to be in more flexible roles with less responsibility than those they retired from. Most of those who returned to work after retirement did so because they chose to do so, rather than because they had to. This study did not tell us how many more retirees would have liked to work but were unable to for reasons of health, family or inability to find work. Those who are more disadvantaged financially—lower income, lower assets—and those who are unmarried or aging alone, are more likely to plan to or have to work again in retirement.

EMPLOYMENT DISRUPTION AND CONCERNS

Employment is clearly a major part of lifetime economic security, and mid- to late-career job loss and work interruptions can have a disruptive impact on retirement security and decision-making for those who experience it. This part of the survey focused on how many respondents missed significant periods of full-time work, how it impacted their ability to save for retirement and how they tried to make up for the loss. It also focused on how concerned pre-retirees are about their jobs and the ability to maintain employment as desired.

- About four in 10 pre-retirees and retirees or their spouse and partners have experienced a period of unemployment or underemployment after age 45. Approximately one in five of each group missed a year or less

of work over this time and the same amount missed a year or more. Less than 10% of pre-retirees and 15% of retirees report missing five years or more. See Figure 9.

Figure 9

TIME OUT OF WORK OR UNDEREMPLOYED AFTER AGE 45

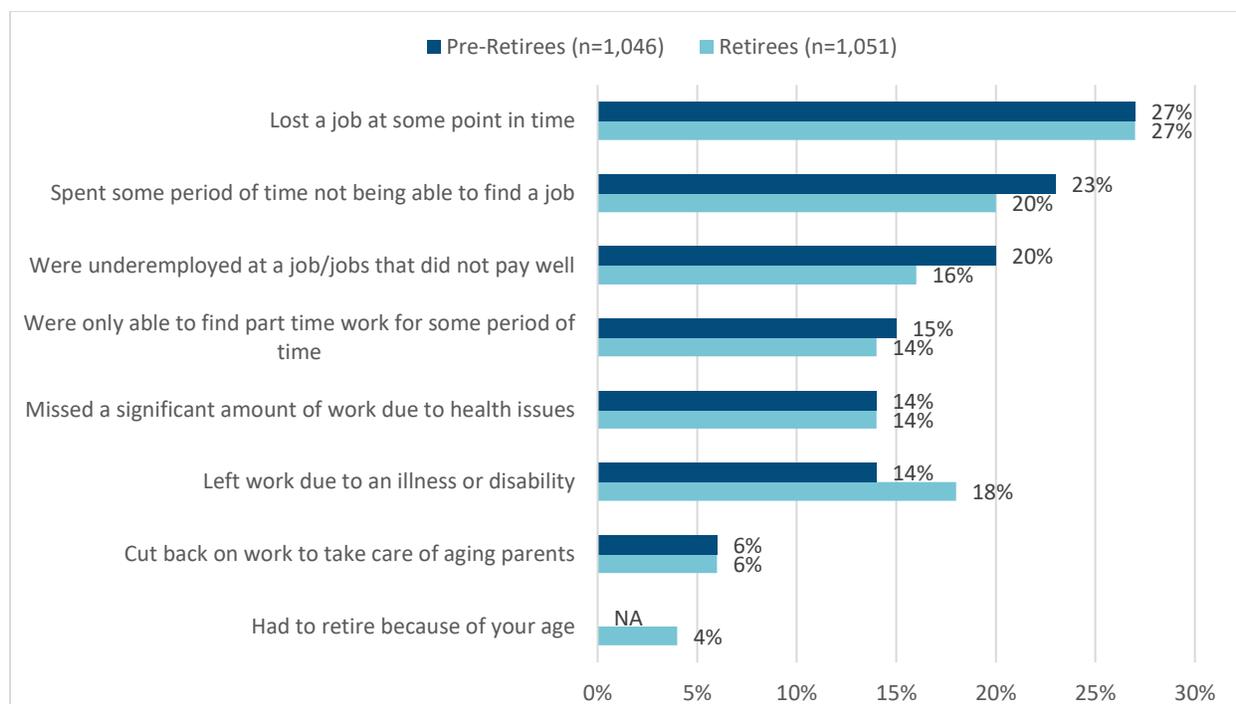
*Thinking about the course of your career after age 45, how much time were you (and your spouse/partner) unable to work, or unable to work full time?
(Filter: Age 50 or older)*



- Among respondents who did miss work or were underemployed for three months or more, this occurred for a variety of reasons including job loss, illness or disability, not being able to find a job, doing part-time work, being underpaid, caring for parents or being forced to retire by employer because of age. See Figure 10.

Figure 10
REASONS FOR UNDER/UNEMPLOYMENT AFTER AGE 45

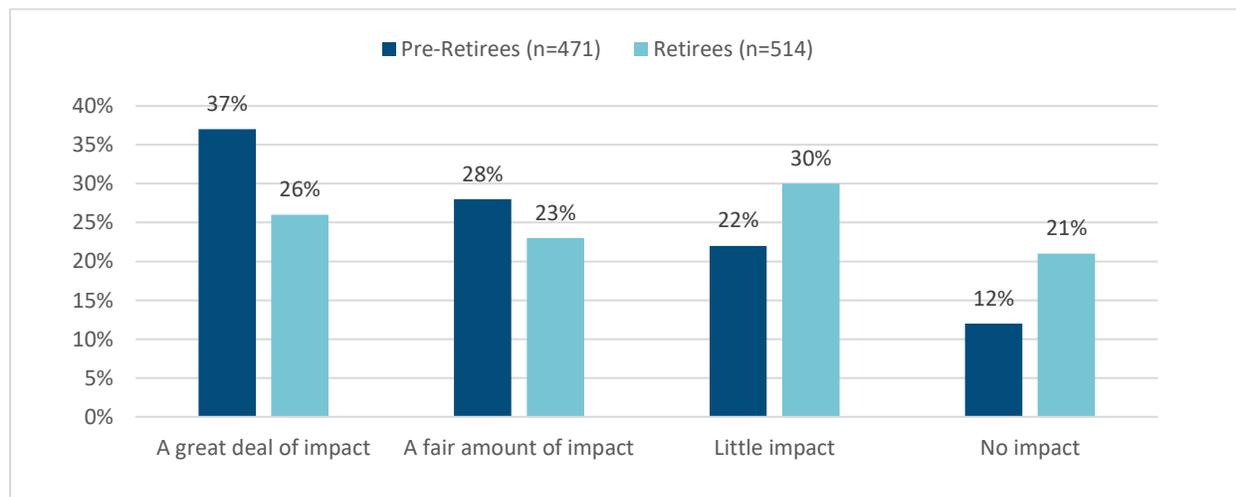
Have any of the following things happened to you (or your spouse/partner) that caused you to miss work or be underemployed for more than three months?



- A majority of pre-retirees, and half of retirees, who missed time from work say missing work has at least a fair amount of impact on their ability to save for retirement. See Figure 11.

Figure 11
IMPACT OF MISSED WORK ON RETIREMENT SAVING

What impact did missing work have on you and your spouse/partner’s ability to save for retirement?
 (Filter: Missed time from work)



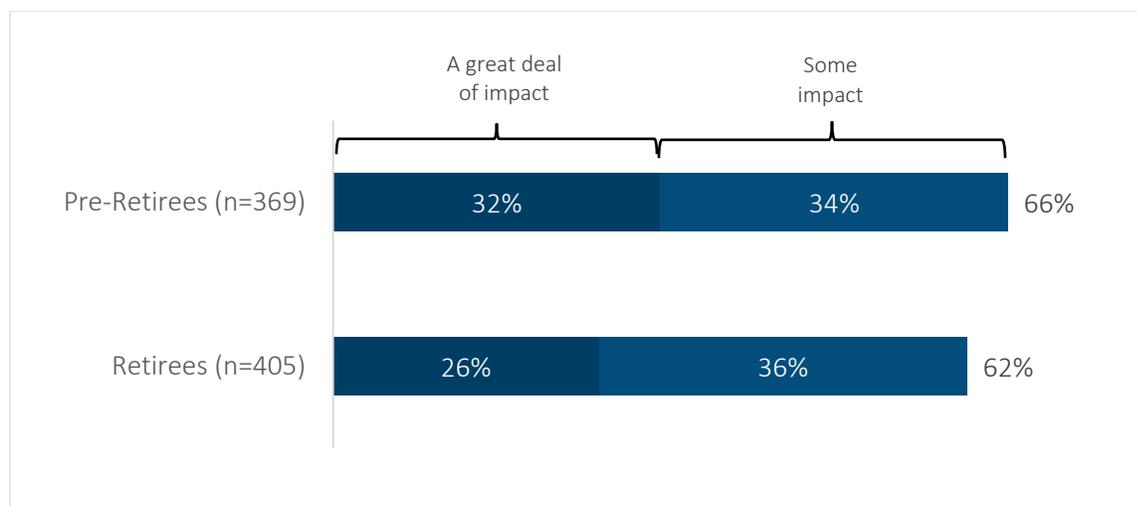
- Two-thirds of pre-retirees and half of retirees in these circumstances claim that it had at least some impact on their feelings of retirement security. Only about three in 10 pre-retirees and retirees experiencing this loss of work withdrew money from retirement savings during these times. Half of pre-retirees and over two-thirds of retirees made up for the impact of employment loss or diminishment on their retirement savings levels by spending less. See Figure 12.

Figure 12

IMPACT OF MISSED WORK ON FINANCIAL SECURITY IN RETIREMENT

As a result of you and your spouse/partner not being as fully employed as you could have after age 45, how much impact has it had on your feeling less secure about your retirement?

(Filter: Missed time from work)



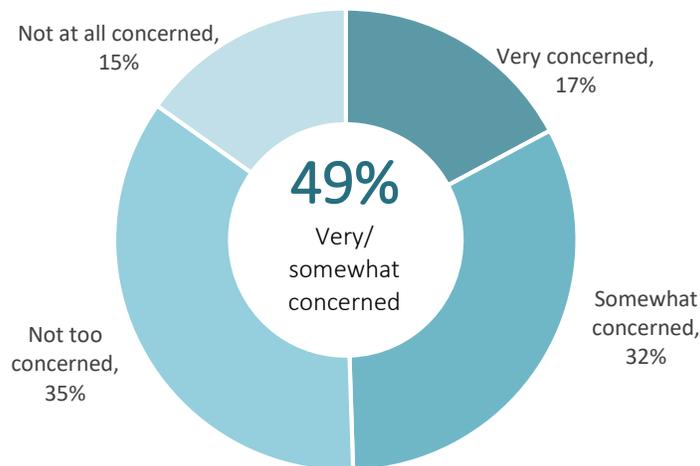
- Pre-retirees are more likely to say they will work longer than retirees actually did (35% versus 13%) to make up for the impact of diminished income and to report they plan to retire at a later age than retirees actually did (31% versus 12%).
- About half of pre-retirees (49%) are at least somewhat concerned about maintaining the level of employment they need to achieve a secure retirement. See Figure 13.

Figure 13

CONCERN ABOUT MAINTAINING EMPLOYMENT TO ACHIEVE FINANCIALLY SECURE RETIREMENT

How concerned are you that you and your spouse/partner will not be able to maintain the level of employment you need prior to retirement to achieve a financially secure retirement?

(Pre-retirees, n = 1,046)



- As in other areas, the impact of job loss before retirement has a greater impact on some groups than others. Respondents who are not married, less wealthy and/or don't plan for retirement are more apt to be affected by job loss. Couples in which both partners are working may be less impacted by the loss of one job since they have another income.

REALITIES OF RETIREMENT

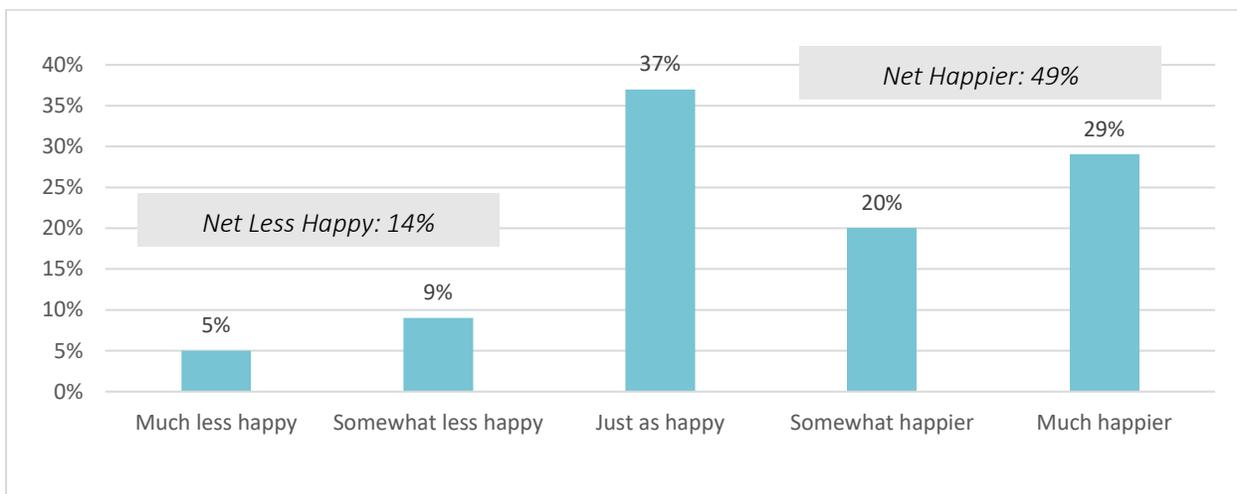
Major focuses of the retirement risk surveys have been finances and risk management. This year, for the first time, the survey has been expanded to include nonfinancial issues since they contribute to a successful retirement. Adjustment to retired life seems particularly important since many people end up retiring earlier than they had planned to, often pushed into retirement. Questions address adjustment, loneliness, social engagement and activities in retirement. Some key findings include:

- Three in 10 retirees found it to be somewhat or very emotionally challenging to make the transition to retirement when they first retired. Close to half claim to be somewhat or much happier than when they first retired, while only one in seven report being at least somewhat less happy. Married retirees are more likely to report being at least somewhat happy compared to those who are not married. See Figure 14.

Figure 14

HAPPINESS NOW VS. WHEN FIRST RETIRED

Compared to when you first retired, would you say that today you are ...?
 (Filter: Retired more than two years; n = 787)

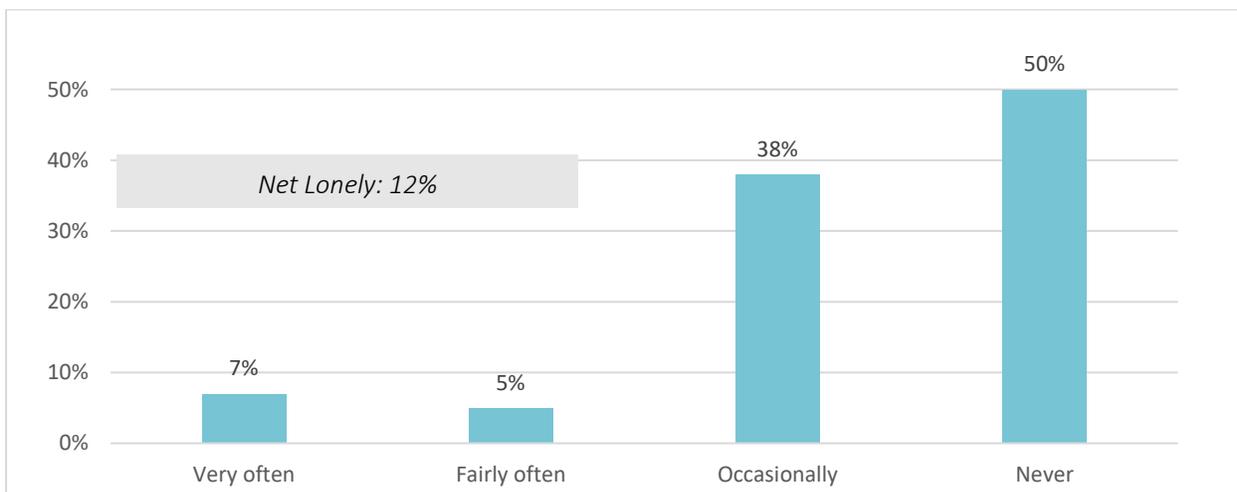


- Among those who do find retirement challenging, over half made the adjustment within two years.
- Among those who are retired, a little over one in 10 report being lonely at least fairly often. Those who have lower income, are unmarried and/or have major health problems are more likely to report being lonely. See Figure 15.

Figure 15

HOW OFTEN RETIREES FEEL LONELY

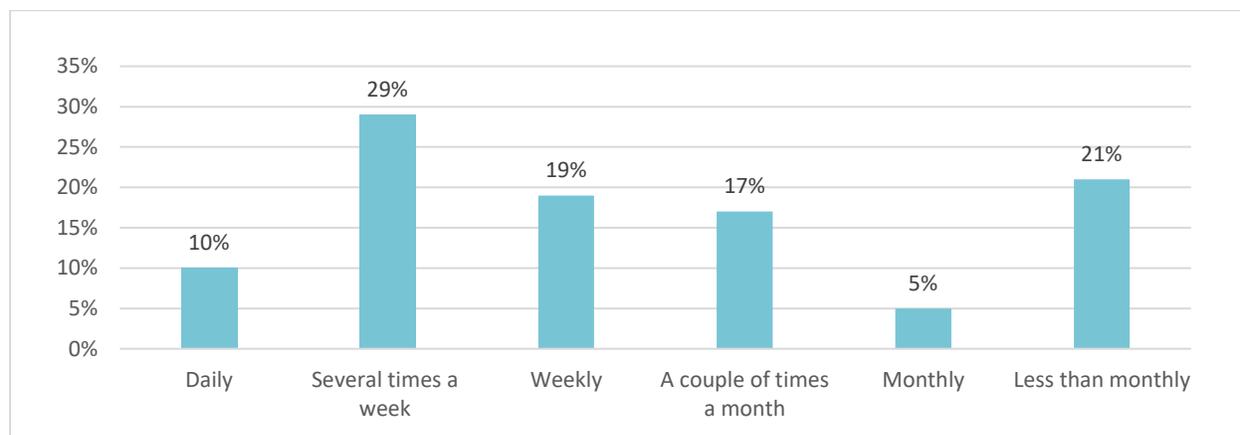
Since you retired, how often do you feel lonely?
 (Retirees, n = 1,051)



- Four in 10 pre-retirees are at least somewhat concerned about having a sense of purpose after they retire. This is a far higher number than the percent of retirees who report being lonely or less happy in retirement. Concerns are more common among lower income pre-retirees.
- The amount of social engagement that retirees have varies a great deal. Only one in 10 have daily social activity, another three in 10 have social activity several times per week and two in 10 participate in weekly activities. Over four in 10, on the other hand, participate in social activity less than weekly. See Figure 16.

Figure 16
FREQUENCY OF RETIREE SOCIAL ENGAGEMENT

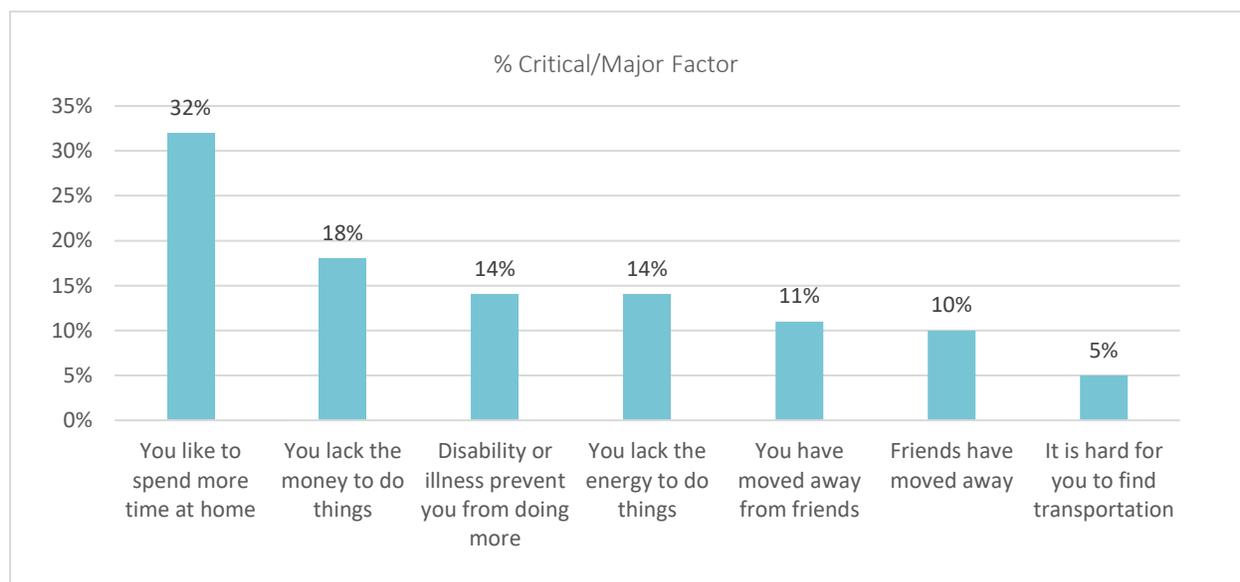
*How often do you meet with other people socially, individually or in group settings, in retirement?
 (Retirees, n = 1,051)*



- When asked about the reasons they do not participate more in social activities, one-third say they like to spend more time at home, far more than any other response. Close to two in 10 claim that lacking the money to do things is a factor; fewer cite lack of energy, moving away from friends or friends moving away as factors. Those with higher income and assets are more likely to engage socially. See Figure 17.

Figure 17
FACTORS LIMITING RETIREE SOCIAL ENGAGEMENT

*How big of a factor is each of the following in limiting the level of social engagement you have today?
 (Retirees, n = 1,051)*



- Findings also suggest a health/wealth connection to activity level. Lower asset and income respondents are more likely to say that disability or illness prevented them from doing things and are also more likely to cite low energy level as a factor. Those who have a major health problem are also more apt to cite money and energy as factors.

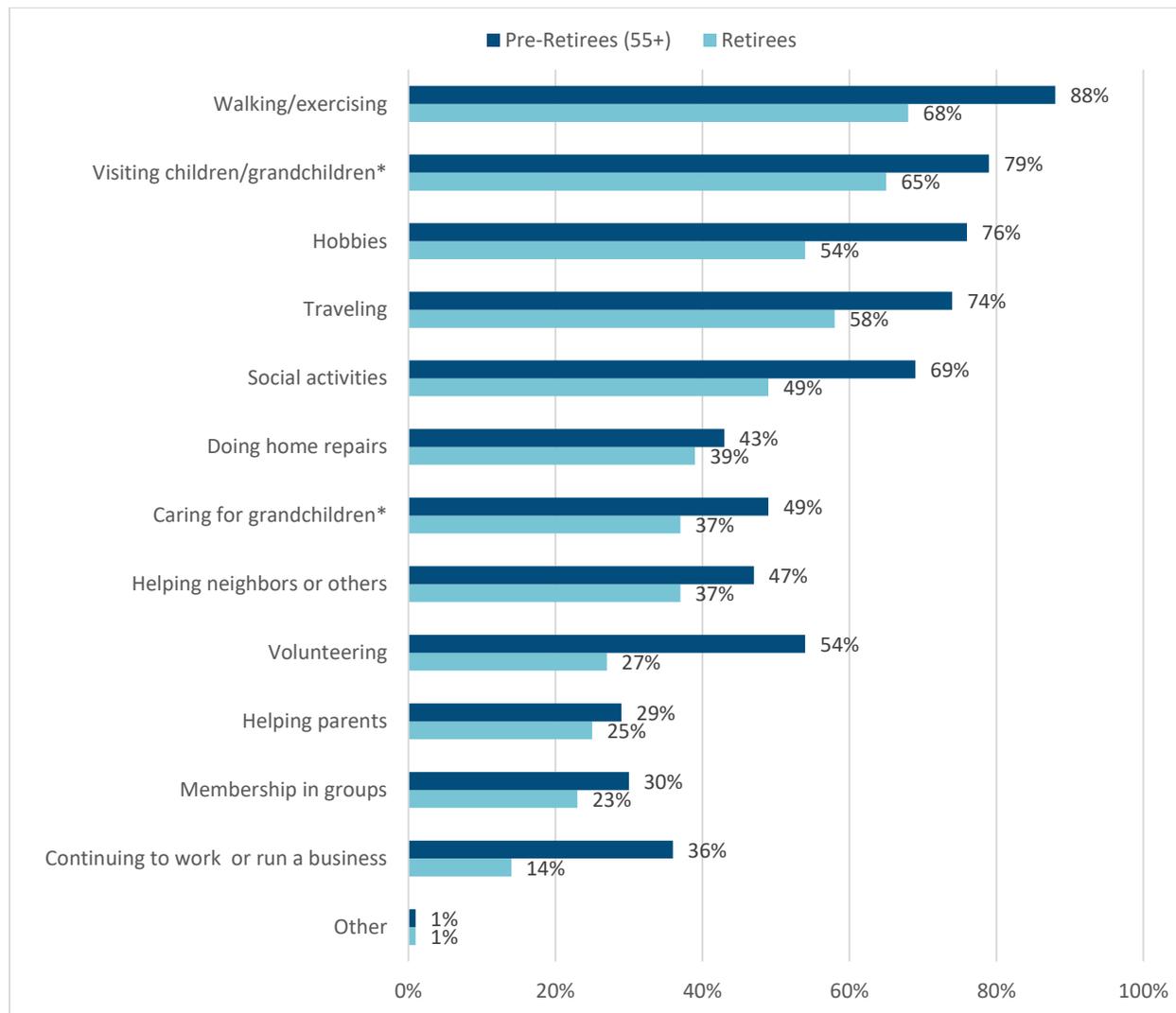
- While retirees engage in less activity than pre-retirees expect to, they still claim that at least somewhat often they engage in exercise, traveling, visiting children or grandchildren, and doing hobbies. Significant numbers engage in social activities, doing home repair, caring for grandchildren and helping neighbors, among others. See Figure 18.

Figure 18
ACTIVITIES PLAN TO BE/ARE INVOLVED IN DURING RETIREMENT

When you retire, how often do you plan to be involved/When you retired, how often did you become involved in each of the following activities?

[Pre-retirees (55+), n = 500; retirees, n = 1,051]

% Very/Somewhat Often



* Filter: Have children (pre-retirees, n = 367; retirees, n = 771)

- Those with \$50,000 or more in assets travel and exercise more often and they, along with married retirees, are more engaged in social activities than those with less than \$50,000 in assets. Women are more apt to engage more in a variety of activities than men, although males are more involved in doing home repairs. Retirees aging alone are more apt to volunteer.

- Most married retirees do not have a great deal of regret about the time they spend with their spouses, with only 15% wishing they could spend a lot more time with their spouses.

FAMILY SUPPORT AND AGING ALONE

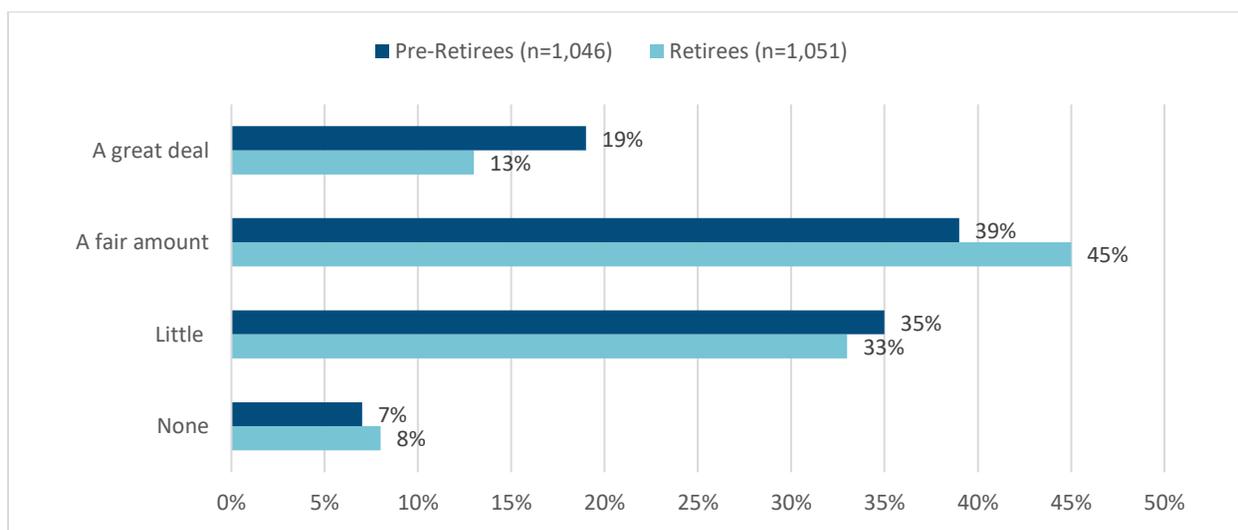
This portion of the survey offers a view of how respondents think about their later years, whether they expect to have family support, and what those with family support are doing to prepare for their later retirement years. It also provides insights into certain specific planning activities. Recent SOA research with individuals age 85 and over as well as the 2017 risk survey made it very clear that many people rely heavily on family members when they need help in old age and that they and their family members usually do not plan for such support. Findings show:

- Most pre-retirees and retirees report that they have given at least a fair amount of thought to how their lives will change in the later years of retirement. See Figure 19.

Figure 19

PLANNING FOR HOW LIFE WILL CHANGE IN RETIREMENT

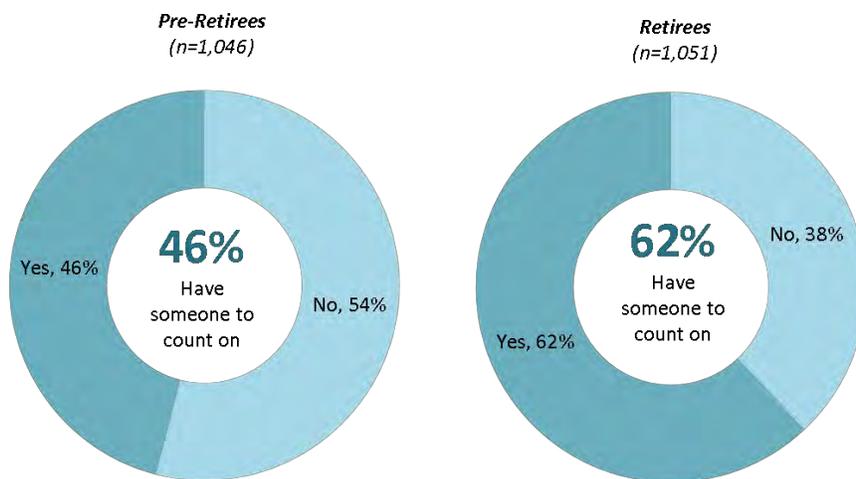
How much thought have you given as to how your life will change in the later years of retirement?



- Only one in five pre-retirees and one in four retirees say there was a particular event that led them to start thinking about how their life will change in retirement. For pre-retirees, that was most often the experiences of parents or friends followed by a change in their health; for retirees, it was most often a change in health.
- Close to half of pre-retirees and over six in 10 retirees feel they can count on a relative or friend to take care of them as they age. For seven out of 10 pre-retirees and retirees, this relative is their child. In close to one in five instances, the potential caretaker lives more than 100 miles away. See Figure 20.

Figure 20
HAVE SOMEONE TO CARE FOR THEM IN RETIREMENT

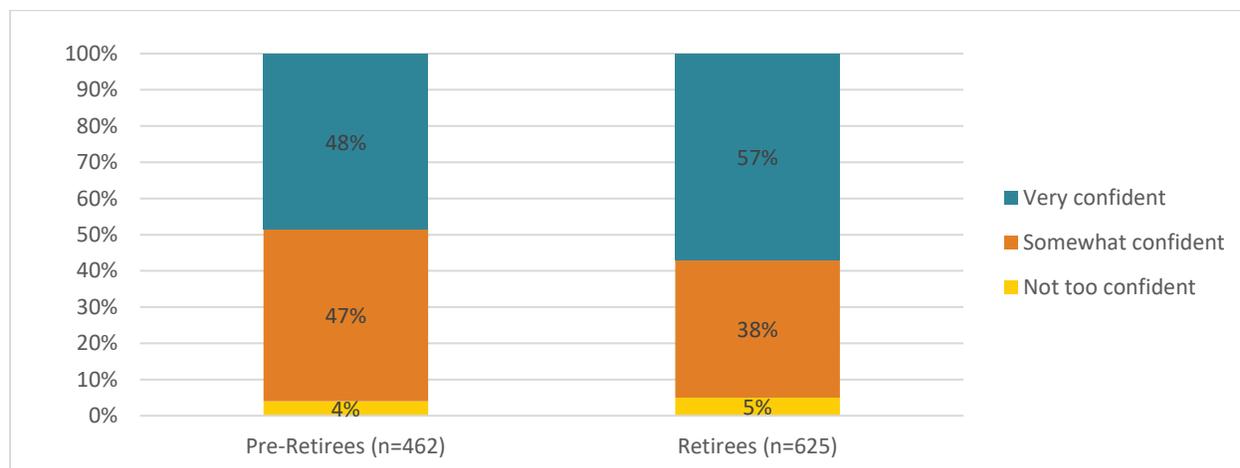
Aside from your spouse/partner, do you have a relative or friend that you can count on to take care of you as you age, excluding someone you might hire?



- Almost all retirees and pre-retirees have at least some confidence that they will get the support they need from this person, with over half of retirees and close to half of pre-retirees being very confident in this support. See Figure 21.

Figure 21
CONFIDENCE FRIEND OR RELATIVE WILL CARE FOR THEM AS THEY AGE

When you think about the later years of your retirement, how confident are you that you will receive the support you need from your [friend/family member] if you lose the ability to take care of yourself?
 (Filter: Have a relative or friend they can count on to take care of them as they age)

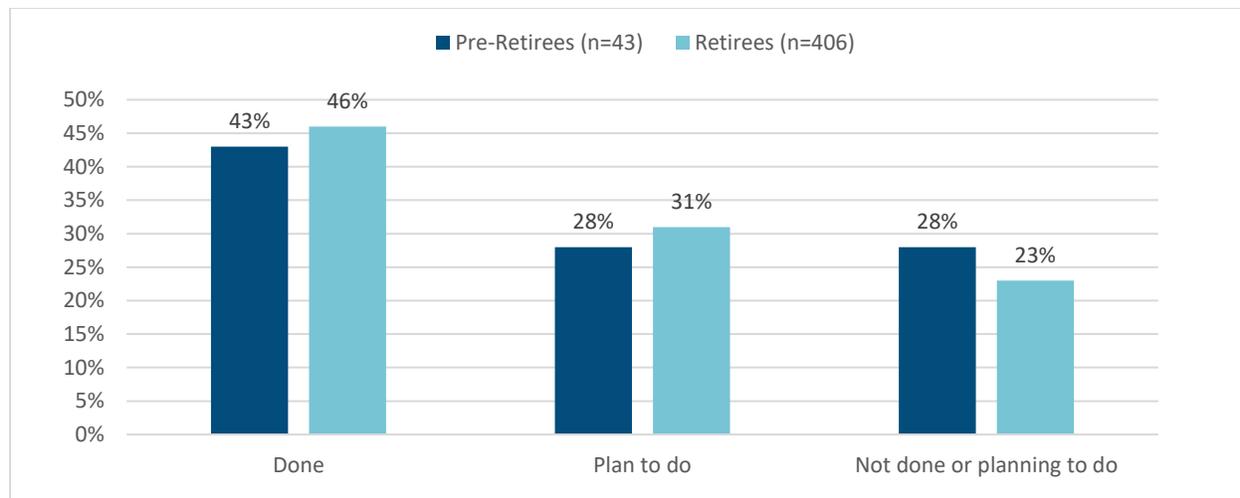


- However, fewer than half of pre-retirees and retirees have talked to the person they believe will care for them and even fewer have made arrangements with this person. See Figure 22.

Figure 22

HAVE TALKED TO EXPECTED CAREGIVER

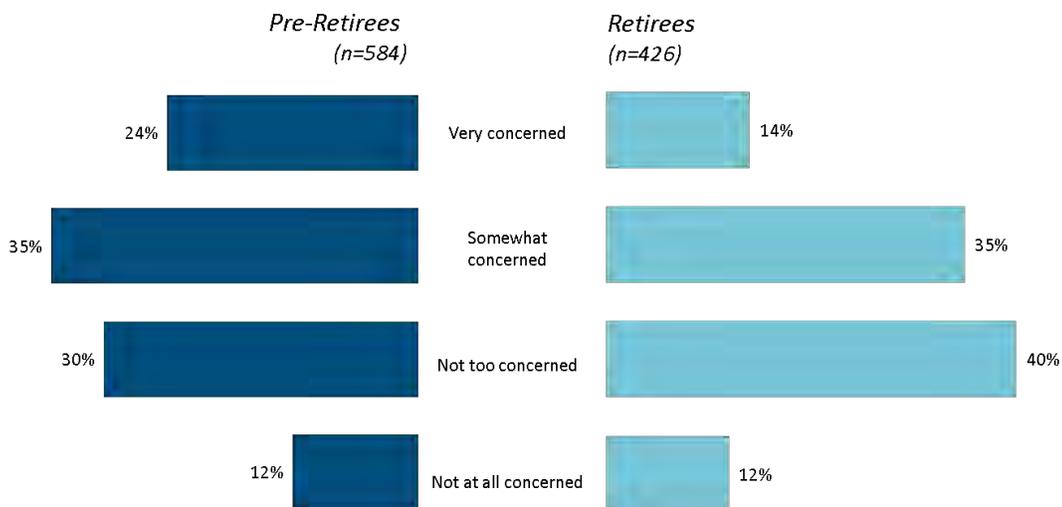
*Have you done each of the following, and if not is it something you are planning to do in the near future—talked to the person or people you think will care for you about what future role they will play?
(Filter: Over age 65 who have someone in mind to take care of them)*



- For those without a relative or friend they can count on to take care of them, the situation appears to be far more concerning. Only a little over one in 10 pre-retirees and fewer than one in five retirees without a relative or friend to care for them have planned for a support system they can count on in the later years of their retirement. A majority of pre-retirees and half of retirees without such a relative or friend are at least somewhat concerned about managing the later years of their retirements without someone to look out for them. Women and unmarried respondents are the most concerned. See Figure 23.

Figure 23
CONCERN ABOUT NOT HAVING SOMEONE TO CARE FOR THEM LATER IN RETIREMENT

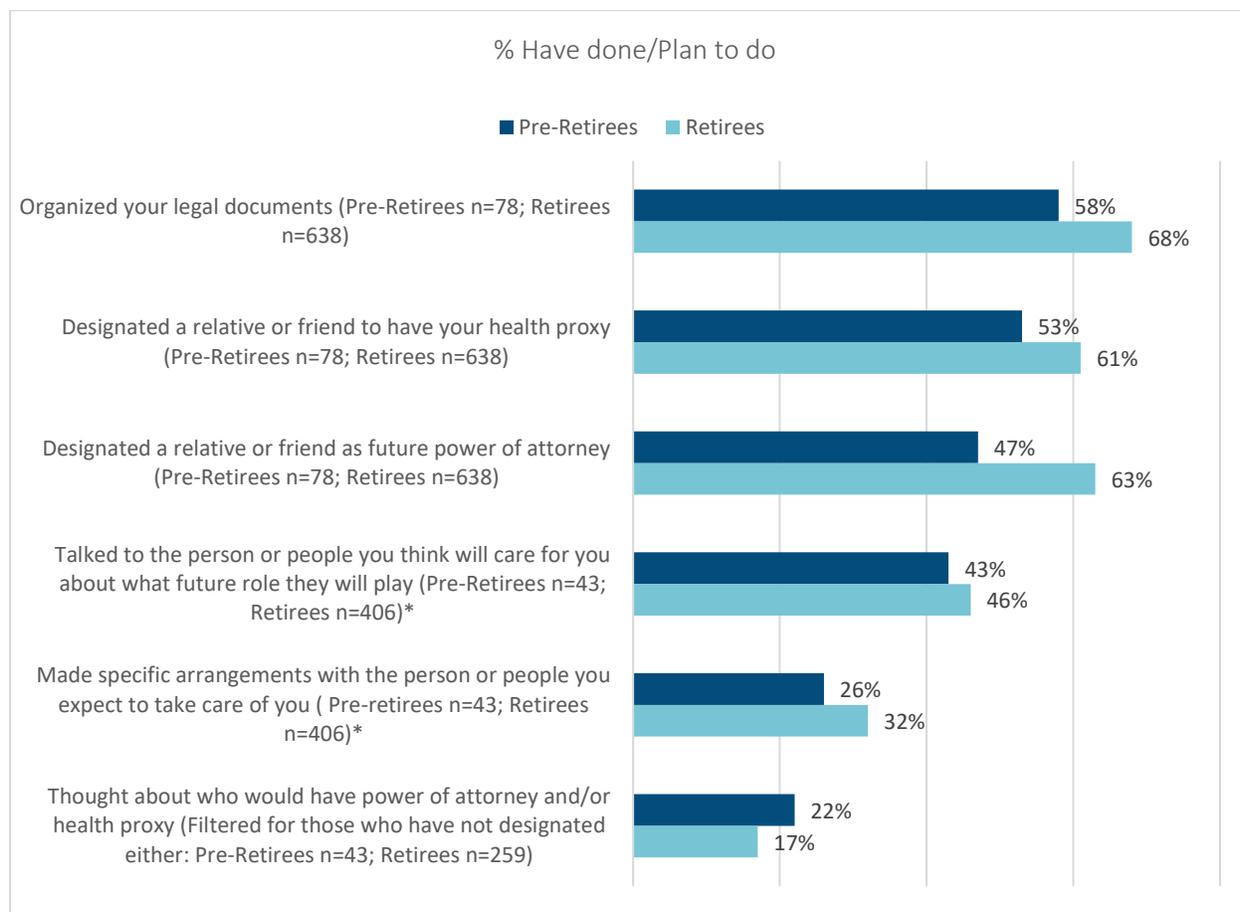
How concerned are you about having to manage in the later years of your retirement without a relative or close friend to look out for you?
 (Filter: Do not have someone to care for them when they age)



- While most retirees report that they have organized legal documents, designated a relative or friend as power of attorney and designated a health proxy, slightly less than half have talked to the person they think would care for them and only about one-third have made arrangements with that person. Over two-thirds of retirees who have not designated a power of attorney or health proxy have thought about or plan to think about doing so. See Figure 24.

Figure 24
ACTIONS TAKEN TO PREPARE FOR THE FUTURE

Have you done each of the following; if not, is it something you are planning to do in the near future?
 (Filter: Over age 65)



* Filter: Have a relative or friend to care for them as they age

- Only one-third of pre-retirees and slightly over half of married or partnered retirees have discussed how the remaining spouse will be cared for when the first dies.

Overall, planning for the later years in life is important to do, but the level of planning that occurs varies among pre-retirees and retirees. Even though six in 10 retirees have someone they say they can count on, few have communicated with this person and even fewer have discussed arrangements. This occurs despite the fact that these retirees often have designated power of attorney and health proxy roles. Those without someone to count on show concern about how they will manage in retirement.

Observations

The 2019 retirement risk survey produced an interesting set of findings—while concerns are generally lower overall, compared to previous years, we see pre-retirees continue to have a more cautious view of what to expect in retirement than the retirees report experiencing. This pattern is observed in their expectation to work longer and to a later age than retirees report working, their concerns about having a sense of purpose, and their expectations surrounding their expenses and income as they begin living their retirement years. Yet retirees report they are overall at least as happy, if not happier, as they were when they first retired and doing the same or better financially than they expected in their retirement. Pre-retirees also plan to work longer before retiring than retirees actually work, as has been noted throughout the history of this biennial study, and we see them expecting to rely more on sources of income like their own savings through employer-sponsored retirement plans and work in retirement than the Social Security and pensions relied upon by today’s retirees.

The study highlights some important new areas of focus as well. We now know there is a sizeable proportion of pre-retirees and retirees who do not have a relative or friend they can count on to care for them as they age, and that most of them have not made alternate arrangements for care. This can be a particular problem for those with lower income because they are far less likely to plan for a support system than those with higher income and are somewhat more likely to be more concerned about this eventuality. Findings also reveal gaps in preparations for lining up care or legal documents and designations for respondents’ later years, as well as the impact of a period of time with reduced or lost employment on one’s ability to plan for and feel secure in retirement. Also, almost half of retirees do not discuss with their spouses how they will be cared for if the other one was to die.

Finally, some groups have a more difficult time planning for and being successful in retirement. These groups include those with lower incomes and major health conditions, highlighting the important effect of health and wealth on a successful retirement, and a need for support and planning among vulnerable groups.

Context for the 2019 Survey and Some Ideas About the Future

One of the questions that comes up is whether the results from 2019’s research are a good indicator of what we can expect for the future. One way to look at this is to see how results have changed over time. But there are reasons to be careful. During the last 20 years, there have been major changes in the structure of the retirement benefit system and in the environment in which retirement benefits are offered in the U.S. The impact of those changes will continue to be felt and may magnify in the future. This discussion looks at changes and thinks about what they mean going forward.

CHANGING LANDSCAPE

The changing landscape affects the environment into which people will be retiring. Important changes include:

- Population aging due to longer life spans, patterns of births and immigration in various years. Expect population with high ages resulting in many more people at 80 and older.
- Longer periods of retirement as increases in life span outpace increases in retirement age.
- Growing inequality so that some segments of the population experience significant gains in their economic status while others slip backward. Lower economic status individuals are much more likely to have slipped.
- Big differences in life spans (and also probably health status) between different population segments mirroring the general inequality.
- Low interest rates with public policy serving as a major driver of those interest rates.
- A major recession in 2008, but no recession for the 10 years prior to this survey being conducted. We are entering another stage of financial uncertainty and recession at this time because of the COVID-19 pandemic, and its total impact is yet to be felt.

- Major decline in unemployment rates, but continued challenges for workers at older ages with many longer-service older workers experiencing disruption in employment prior to the time of expected retirement. With the outbreak of the COVID-19 pandemic and rapidly changing unemployment rates, it is difficult to predict what unemployment rates will look like at the end of the outbreak.
- Medical and prescription drug costs increasing more rapidly than inflation.
- Medicare cost sharing increasing more rapidly than Social Security inflation increases.
- Decline in the willingness of larger employers to bear risk in their employee benefit plans.
- Shift in employment patterns away from larger private employers who traditionally offered good benefits.
- Automation changing many jobs and replacing others.
- An increasing elderly population placing strains on the care system that can provide assisted living and long-term care.
- Increased mobility diminishing the ability of family to care for their elderly parents or share in the role with other siblings.

The retirement benefit system has responded to these changes with shifts to defined contribution plans as primary retirement vehicles and away from defined benefit pension plans and retiree health benefits, particularly for employees who are already Medicare eligible. There continues to be approximately half of American employees not earning benefits under an employer-sponsored retirement savings vehicle. Social Security retirement ages have increased gradually while Medicare Part B and Part D premiums continue to rise. The increases in Medicare premiums generally are proportionately greater than the cost-of-living increases that apply to Social Security.

As these trends unfold, some people will be moving into retirement facing challenging situations and the number moving into retirement in a challenging situation may increase. The real unknown today is determining how many people will be better off in retirement in the future and how many people may be worse off, and how to address these issues.

CONTINUING THEMES IN THE SOA POST-RETIREMENT RISK RESEARCH

There is a series of reports on the SOA website that provides a summary of the research on a given topic. These reports include information from risk surveys, essays and other reports. The Understanding & Managing Post-Retirement Risks series includes:

- [Post-Retirement Risks and Related Decisions](#), November 2017
- [Shocks and the Unexpected: An Important Factor in Retirement](#), December 2017
- [How People Plan for Retirement](#), February 2018
- [Women and Post-Retirement Risks](#), April 2018
- [Retirement Experiences of People Age 85 and Over](#), February 2019

Each of the risk surveys includes some major topics and repeated questions. There are special reports with the risk surveys focusing on some of the major topics.

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The SOA supports actuaries and advances knowledge through research and education. As part of its work, the SOA seeks to inform public policy development and public understanding through research. The SOA aspires to be a trusted source of objective, data-driven research and analysis with an actuarial perspective for its members, industry, policymakers and the public. This distinct perspective comes from the SOA as an association of actuaries, who have a rigorous formal education and direct experience as practitioners as they perform applied research. The SOA also welcomes the opportunity to partner with other organizations in our work where appropriate.

The SOA has a history of working with public policy makers and regulators in developing historical experience studies and projection techniques as well as individual reports on health care, retirement and other topics. The SOA's research is intended to aid the work of policymakers and regulators and follow certain core principles:

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Society of Actuaries
475 N. Martingale Road, Suite 600
Schaumburg, Illinois 60173
www.SOA.org