

Aging and Retirement

The Realities of Retirement

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





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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 economic environment has. During the time since the survey series started, there has been a shift to defined contribution plans and two periods of economic turmoil, including a major decline and slow recovery in housing prices. 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 results, focusing on the social and emotional world of retirees by researching their adjustment to retirement and their happiness, loneliness and the social engagements in which they participate in retirement.

Additional reports and fact sheets in this series provide a more detailed examination of specific topics that emerged in the 2019 research, while 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 an overview summarizing key results from this research.

The 2019 Survey

This report presents a selection of results from 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. Several groups of particular interest were studied by adding additional respondents to the survey population through the use of special quotas. The quotas added to the design to help the SOA do a separate analysis on situations of special interest included 658 who had a disruption of employment for at least three months since age 45, 223 retired widows, 486 with a major health problem and 192 retirees who are unmarried and have no children. These oversamples allowed us to identify and increase the sample size for these groups, allowing for an analysis of the retirement preparedness and risks for people in these groups.

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, gender, 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

The SOA Post-Retirement Research Program has evolved over more than 20 years. The focus started with identification of risks, analysis of strategies for managing risks and understanding how the public viewed the risks. Over time, the scope of the research expanded to focus on quality-of-life related issues and a variety of factors that are important to supporting a successful retirement.

This report adds a new dimension to that exploration. To set the stage for the remainder of the report, this section provides an overview of the broader considerations relating to quality of life and explains how the new work fits into this analysis framework. It also raises some questions for further study.

When contemplating retirement long before it is planned to occur, retirement is often perceived as a time to pursue dreams and enjoy a great deal of leisure. But for many, this is not the reality that will be encountered. In the 20 years of the post-retirement risk survey series, several areas have emerged where retirees' actual experience does not match expectations made earlier in life.

For example, the risk survey series has consistently shown that retirement occurred at an earlier age than pre-retirees expected. The difference between the expected and actual age of retirement is about five years, with the mean expected retirement age of 65 compared to the mean actual retirement age for retirees in this study of about 60. These expected and actual retirement ages have been the same for the last four waves of this research.

As the research team consistently observed over time, there are gaps between expectations and experience, and there has been increased interest in thinking holistically about broader quality-of-life issues as well as financial security for retirees. To add to knowledge in this area, the Society of Actuaries has been a sponsor of research efforts undertaken by the Sightlines Project at the Stanford Center on Longevity. This program focuses on what is needed for a successful retirement and healthy living at high ages. The program has identified three areas for focus—financial security, healthy living and social engagement.

The identification of the importance of social engagement also encouraged thinking about the issues covered in the post-retirement risk survey more broadly. This led to inclusion in the 2019 survey of questions about happiness in retirement and representative emotional issues.

The 2019 survey was also structured to enable the research team to see how the results of the survey differed by economic level, and for those who had experienced selected financial shocks or adverse experiences. In general, the 2019 and earlier surveys have shown that the results are quite different by economic status. Those in the lowest economic status groups have more risk concerns and a less positive experience in retirement. And the individuals in the survey who have experienced a major health challenge or a period of unemployment prior to retirement also had a less positive retirement experience.

The specific questions that this report covers are focused on happiness, adjustment to retirement, activities in retirement and loneliness.

The data indicated that about one-third of respondents found it challenging to make the transition to retirement, with over half of those making the adjustment in two years. The research tells us that it was more difficult for those with lower economic status. However, this finding raises additional questions that suggest further research:

- Are the experiences different for people based on the reasons for retirement and/or their path leading up to retirement?
- For those who retired to meet family responsibilities, was it a relief considering the stress they were experiencing in trying to work and provide caregiving assistance or was it an extra burden due to reduced financial security?
- For those people who lost jobs or those who had difficult employment situations and did not lose their jobs, did they have different experiences?

Prior SOA focus groups with retirees at different stages of retirement show that the groups studied were mostly resilient. They were frugal and reduced spending over time but still felt satisfied. Many probably had less money than traditional adequacy studies said they should have but they seemed to adjust. This survey asked if people were as happy as when they first retired, and the vast majority were either happier or just as happy. Almost 15% were less happy. Higher income and married people were happier than others. The results of this survey appear consistent with those earlier survey results. Questions for future research may explore what factors are contributing to happiness and unhappiness.

Some Insights With Regard to the 2019 Survey

The risk survey series is devoted to understanding how well people manage risks in retirement. In the past, the Society of Actuaries' risk survey series has had a major focus on finances and risk management and has also explored issues relating to long-term care, working in retirement, housing and other topics. A full study of the retirement years needs to go beyond financial issues to also explore the emotional and quality-of-life issues that are inexorably tied to finances. 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.

In other research, the SOA has also taken a broader focus on the emotional realities of retirement, including two recent studies of the age 85 and over population that examined the financial and emotional challenges they faced.¹ In addition, prior SOA focus group research indicates many retirees are resilient and they adjust to a variety of financial shocks and to lower levels of spending than planning models expect. In 2019, the committee decided to place some new focus on the social and emotional side of retirement in this survey, adding a series of questions to capture retirees' journey into retirement and the adjustment to their new social and emotional world, while contrasting the expectations of pre-retirees against the realities being experienced by retirees. The survey included questions related to adjustment to retirement, loneliness, social engagement and activities in retirement. These aspects are all contributors to emotional fulfillment—an important part of a successful retirement.

Similar to the themes noted on the financial side of retirement, pre-retirees tend to have different expectations for retirement than retirees are experiencing, and retirees tend to be doing better than pre-retirees might expect, with

¹ <https://www.soa.org/resources/research-reports/2017/2017-post-retire-exp-85-years-old/>:

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.

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

the majority finding their transition to retirement to not be challenging and that they are at least as happy as they were pre-retirement.

EXPANDED DISCUSSION

In 2019, the SOA added a new topic looking at some of the nonfinancial issues linked to a successful retirement, including how retirees adjust to retirement, how long they took to do so, how happy and/or lonely they feel, as well as what activities they engage in during retirement. As part of this look at social engagement, this study explored barriers to participating in activities, including economic and physical barriers.

Emotional Adjustment and Progression Through Retirement

As with other aspects of retirement, health and wealth are important factors in the adjustment to retirement, with wealthier and healthier individuals adjusting better and being more active. 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).

The following are key findings.

Finding

- About one-third of retirees find it challenging to adjust to retirement; however, over half make this adjustment within two years. See figures 1 and 2.

Figure 1

DEGREE OF RETIREE CHALLENGE TRANSITIONING TO RETIREMENT

*When you first retired, how emotionally challenging did you find it to make that transition?
(Retirees, n = 1,051)*

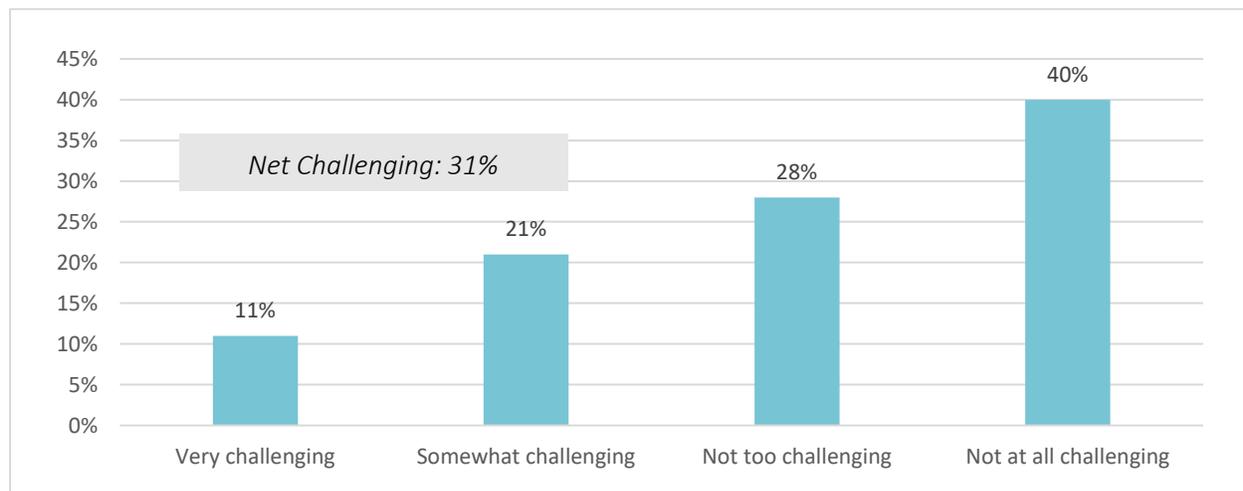
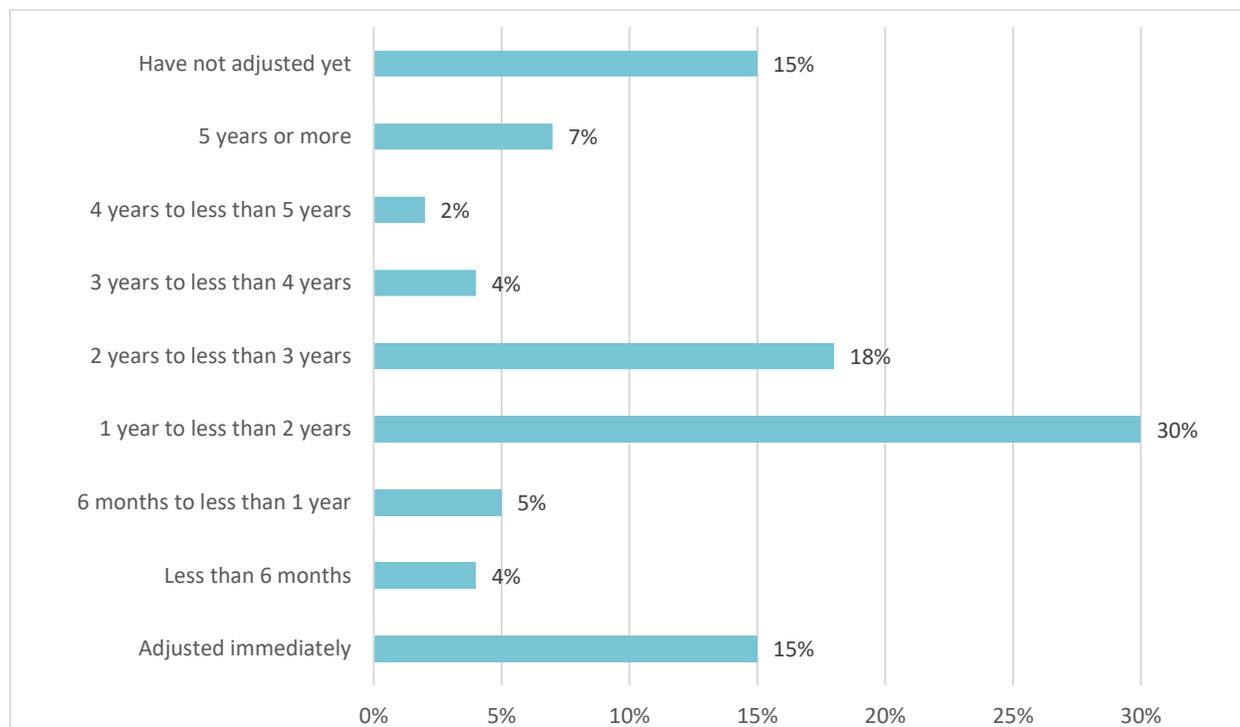


Figure 2

AMOUNT OF TIME IT TOOK RETIREES TO ADJUST

How long did it take you to adjust to retirement?

(Filter: Found it very/somewhat challenging and have been retired for more than two years, n = 234)



Finding

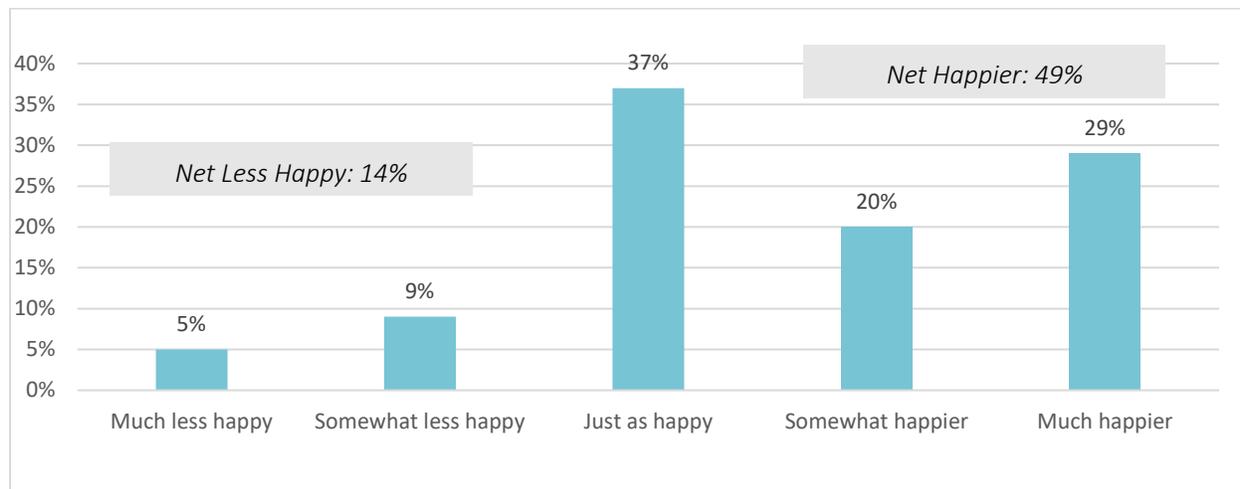
- Furthermore, after two years in retirement, most seem to have adjusted, with almost half being happier than they were before retirement and over three in four at least just as happy. Higher asset households and married people are more apt to report being happier today compared to when they first retired. See Figure 3.

Figure 3

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)



Finding

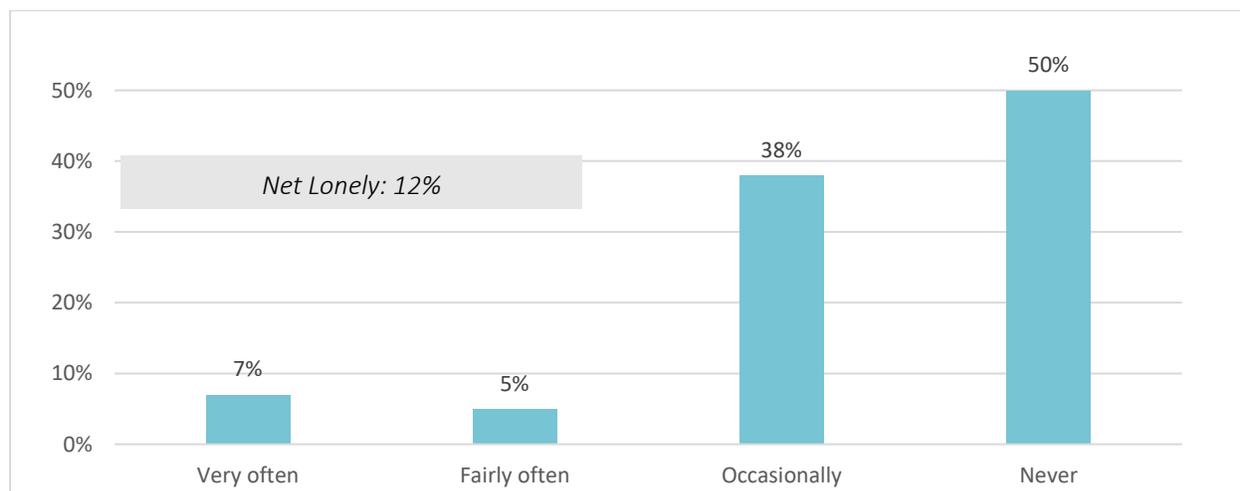
- About one in 10 retirees report feeling lonely often. Those with lower economic status, who are unmarried or have had a major health problem are more likely to feel lonely. See Figure 4.

Figure 4

HOW OFTEN RETIREES FEEL LONELY

Since you retired, how often do you feel lonely?

(Retirees, n = 1,051)



Finding

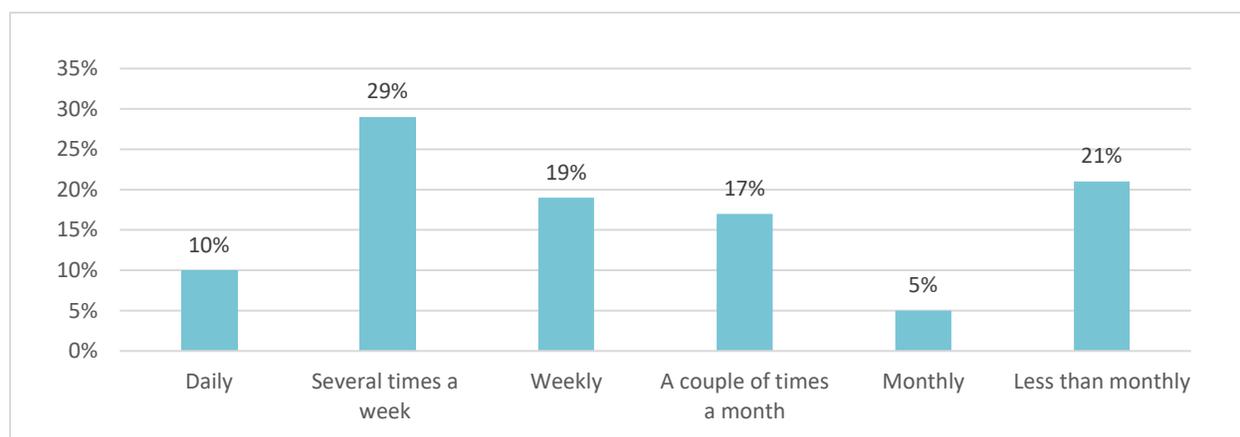
- There is a lot of variation in the level of social engagement. Those with higher income and assets or those in excellent and good health are more apt to engage socially at least weekly. See Figure 5.
- There is also variation between those who report being less happy since they first retired and those who report being happier. Those who are less happy report less social engagement than those who report higher levels of happiness.
 - For example, 39% of those who report they are less happy in retirement engage in social activity less than monthly, compared to those who are happier (18%).
 - Inversely, only 22% of those who are less happy report they meet other people socially at least several times a week, compared to 46% of retirees who are happier in retirement.

Figure 5

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)



Finding

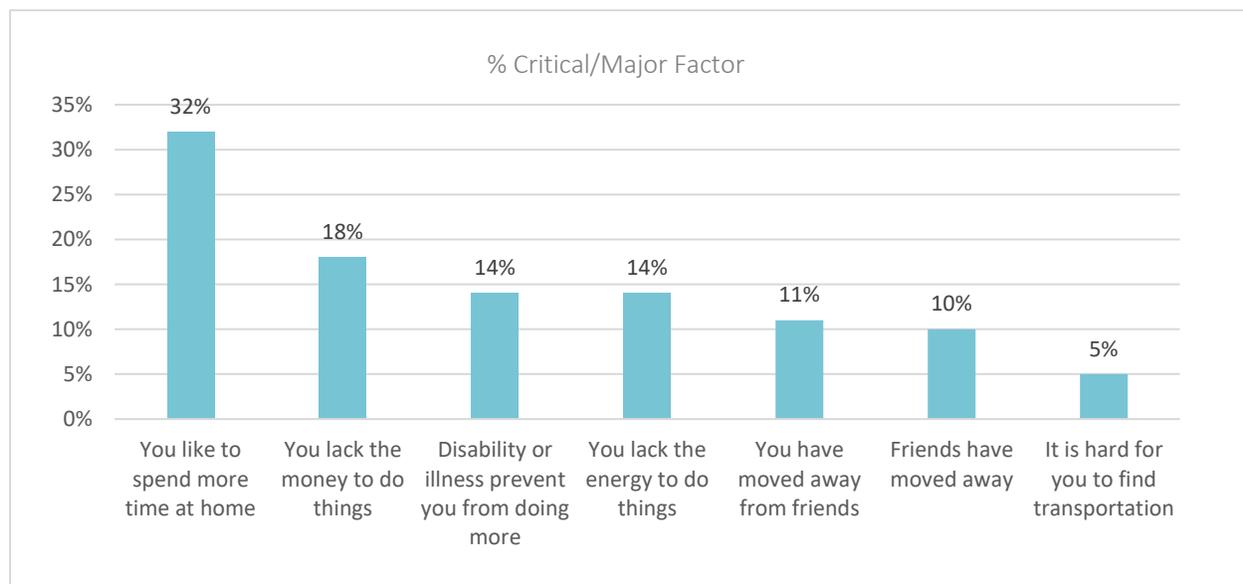
- The largest factor cited as a driver of the level of social engagement was a choice to stay at home. See Figure 6.
 - Transportation and location of friends are not cited as an important factor, with less than two in 10 citing each as a factor in limiting their social engagement.
 - Health status is also not cited as the most important factor.
 - While lack of money is not as big a factor as the desire to stay home, money is a factor for almost half with low assets and health can be a factor behind having less money as well as limiting the energy to be active.

Figure 6

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)



Finding

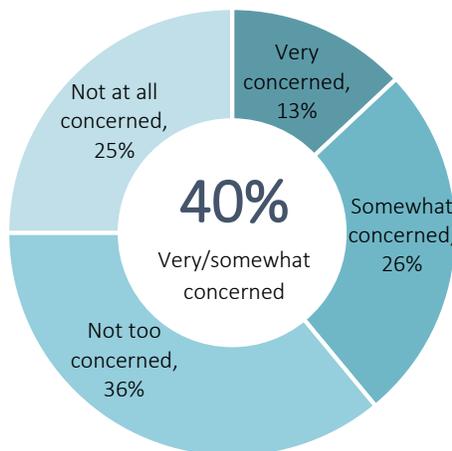
- A significant proportion of pre-retirees, four in 10, are at least somewhat concerned about having a sense of purpose in retirement. See Figure 7. Close to half of those with incomes less than \$50,000 feel this way.

Figure 7

CONCERN ABOUT SENSE OF PURPOSE AFTER RETIRING

How concerned are you about having a sense of purpose after you retire?

(Pre-retirees, n = 1,046)



Finding

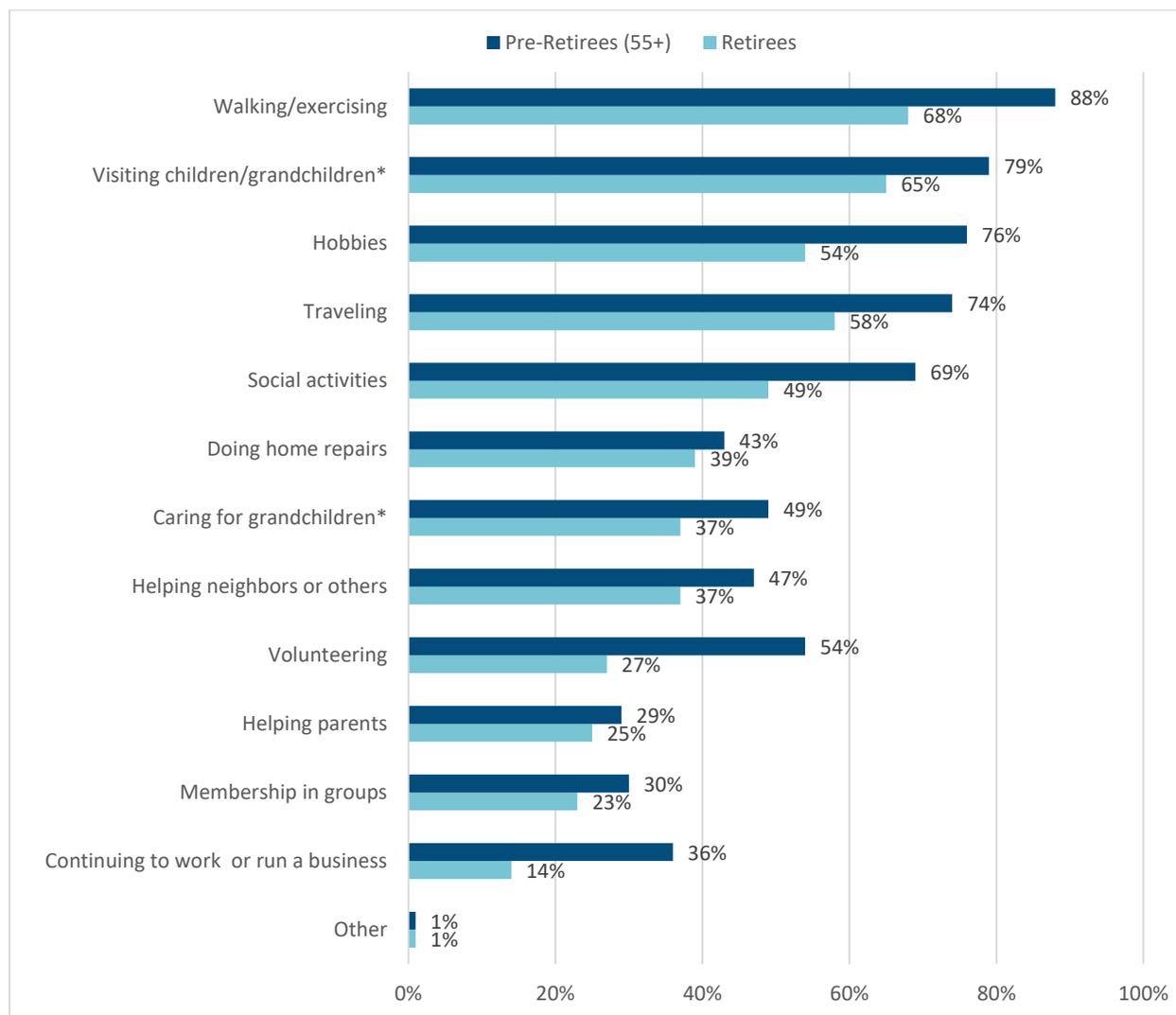
- Pre-retirees expect to do many things in retirement, but retirees do fewer of them. It is more common for pre-retirees to plan to exercise, travel, visit children and grandchildren, do hobbies, take part in social activities, do home repairs, visit neighbors and volunteer than it is for retirees to do these things. See Figure 8. Retirees with \$50,000 or more in assets are more apt to do these things. Even though retirees do less than pre-retirees anticipate doing, a significant percent still engage in a variety of activities.

Figure 8

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]



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

Finding

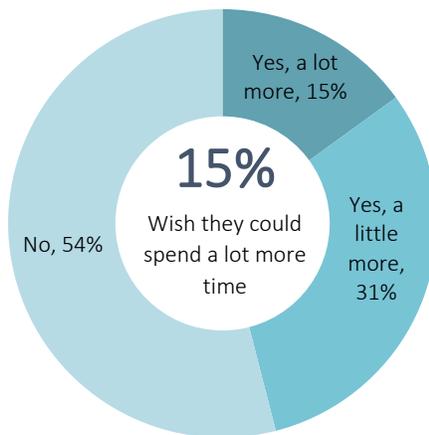
- Few retirees wish for a lot more time with their spouse or partner. See Figure 9.

Figure 9

WOULD LIKE MORE TIME WITH SPOUSE/PARTNER

Do you wish you had more time together with your spouse/partner?

(Filter: Married/partnered retirees, n = 677)



Observations

This report presents a rich mosaic on the expectations of pre-retirees as they look forward to their retirement years and the experiences of retirees who have already moved into this phase of their lives. Pre-retirees anticipate participating in a higher level of activity across a variety of dimensions than retirees report doing in retirement. Although at a lower frequency than pre-retirees anticipate, retirees still engage in a wide range of activities when considering all the facets of retirement—social engagement, family engagement, exercise and hobbies, for example. One of the biggest factors behind retirees being less active than some may anticipate is that they are comfortable spending time at home.

While about three in 10 retirees report some difficulty in adjusting to retirement, most adjust after a couple of years. Most retirees report being as happy or happier in retirement than they were when they first retired. Despite these realities, a significant minority of pre-retirees worry about having a purpose in retirement. Health and wealth are important factors in the adjustment to retirement, with wealthier and healthier individuals adjusting better and being more active in retirement.

About the Society of Actuaries

The Society of Actuaries (SOA), formed in 1949, is one of the largest actuarial professional organizations in the world dedicated to serving more than 31,000 actuarial members and the public in the United States, Canada and worldwide. In line with the SOA Vision Statement, actuaries act as business leaders who develop and use mathematical models to measure and manage risk in support of financial security for individuals, organizations and the public.

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:

Objectivity: The SOA's research informs and provides analysis that can be relied upon by other individuals or organizations involved in public policy discussions. The SOA does not take advocacy positions or lobby specific policy proposals.

Quality: The SOA aspires to the highest ethical and quality standards in all of its research and analysis. Our research process is overseen by experienced actuaries and nonactuaries from a range of industry sectors and organizations. A rigorous peer-review process ensures the quality and integrity of our work.

Relevance: The SOA provides timely research on public policy issues. Our research advances actuarial knowledge while providing critical insights on key policy issues, and thereby provides value to stakeholders and decision makers.

Quantification: The SOA leverages the diverse skill sets of actuaries to provide research and findings that are driven by the best available data and methods. Actuaries use detailed modeling to analyze financial risk and provide distinct insight and quantification. Further, actuarial standards require transparency and the disclosure of the assumptions and analytic approach underlying the work.

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