



Retirement Survey Report Key Findings and Issues:

Experiencing Change in Retirement

2013 Risks and Process of Retirement Survey Report



Introduction and Background

For more than 15 years, the Society of Actuaries (SOA) has focused on the study of post-retirement risks and how they are managed. The 2013 Risks and Process of Retirement Survey is the seventh biennial study of public perceptions related to such risk conducted on the SOA's behalf by Mathew Greenwald and Associates, Inc. The survey was conducted during a period of slowly recovering housing values and employment. However, concerns about the economy, public policy, the federal deficit, and programs for supporting retirement remained high. The survey was preceded earlier in 2013 by a series of eight focus groups, which probed participants on their decision process for retiring and their views on managing assets after retirement.

This report presents findings from the 2013 Risks and Process of Retirement Survey, specifically those relating to the phases of retirement. "Phases of retirement" refers to changes that take place during retirement. The report uses quotations from the series of focus groups to illustrate the findings and addresses factors relating to how people decide to retire and to changes in lifestyle and needs over the course of retirement, including paid employment and housing. Additional reports provide an overview of Americans' perceptions of the major retirement risks, as well as a more detailed examination of personal risk management and special issues for women. This report builds on the work done to explore phases of retirement in 2007. A

comment at the end of the report discusses the other issues studied in 2007, as well as housing and both the dynamic nature and consistency of expectations vs. reality in retirement.

The 2013 Risks and Process of Retirement Survey is designed to evaluate Americans' awareness of retirement risk, how their awareness has changed over time, and how these perceptions affect the management of their finances. Unlike the previous six iterations which were conducted by telephone, this survey was conducted through online interviews. As part of the survey, 2,000 adults ages 45 to 80 (1,000 retirees and 1,000 pre-retirees) were interviewed in August 2013. An additional 200 interviews were collected among retired widows. Individuals were selected for participation using Research Now's nationwide online consumer panel.

Survey responses from current retirees and those not yet retired (referred to in these reports as "pre-retirees") are analyzed separately. No effort has been made to oversample individuals with high levels of assets and do not provide specific insights concerning high-net-worth individuals. Only 5 percent of pre-retirees and 12 percent of retirees report having investable assets of \$1 million or more.

The series of eight focus groups was conducted in May 2013 in four locations, Baltimore, Chattanooga, Chicago and Phoenix. The study was designed specifically to examine those who were not forced to retire because of ill-health or disability, but who decided to retire when they did. The topics examined focused on the decision to retire and participants' views on managing their assets after retirement. The research was limited to retirees who have some assets, but also some financial constraints. All of the participants in the focus groups have between \$50,000 and \$400,000 of investable assets. None have income of over \$2,500 a month from rental properties and defined benefit plans. That restriction allows the research to focus on people with some financial constraints: the participants had a more financially complex decision about retirement than people with considerably higher investable assets. Groups were separated by asset level and by gender.

To further the understanding of key issues as well as changes in perception of risk, this series of surveys includes new questions with each iteration, and not all questions are repeated from year to year. For a balanced perspective, the discussion sections in this report include input from all organizations that supported the studies and material from other related research.

This report provides the response to selected questions from the 2013 Risks and Process of Retirement Survey. For each question, the results are provided with a brief explanation, and a quotation, in many instances, is provided from the focus groups to give life to the experiences of American retirees. It should be noted that the survey includes both retirees and pre-retirees but the focus groups cover only retirees. Commentary from the Project Oversight Group is included for each question. The responses to the questions and the commentary are supplemented by essays from some of the Project Oversight Group members, as well as selected information from a 2007 report that covered this same topic and was produced in conjunction with that year's iteration of this survey. ►►

An Introduction to the Phases of Retirement

Life expectancy is increasing, so more Americans have the potential to enjoy longer time in what they may have conceived of as an ideal retirement. For a significant number, the time spent in retirement may last upwards of 40 years, which, for some, will be a longer period than their working lives. This report attempts to shed light on perceptions about and responses to selected changes they are likely to encounter as they pass through retirement. The ideal for most people is to be able to plan for these phase changes both financially and emotionally. Change can come suddenly or gradually, planned or unplanned, and from both financial and non-financial causes.

Examples of sudden, unplanned change include the following events:

- Loss of a spouse
- Catastrophic personal or family illness producing diminished capabilities and/or needs
- Loss of employment
- Major financial losses from poor performing investments, unexpected medical bills, loss of home, etc.

On the other hand, gradual change may be the result of the following causes:

- Natural process of aging, including decline in cognitive function
- Onset of chronic disease
- Erosion of financial assets through inflation
- Illness/loss of spouse or partner

Change can also be deliberate and carefully planned. Significant planned change may result from one or more of the following events:

- Retirement
- Moving to a new location, including senior housing or a continuing care retirement community
- Marriage, divorce, assuming responsibility for grandchildren, and other planned family status changes
- Improvement of health through elective surgery and other measures
- Gradual reduction of hours worked ►►



Notes

Perspective: Expectations about Changes and Planning for Them

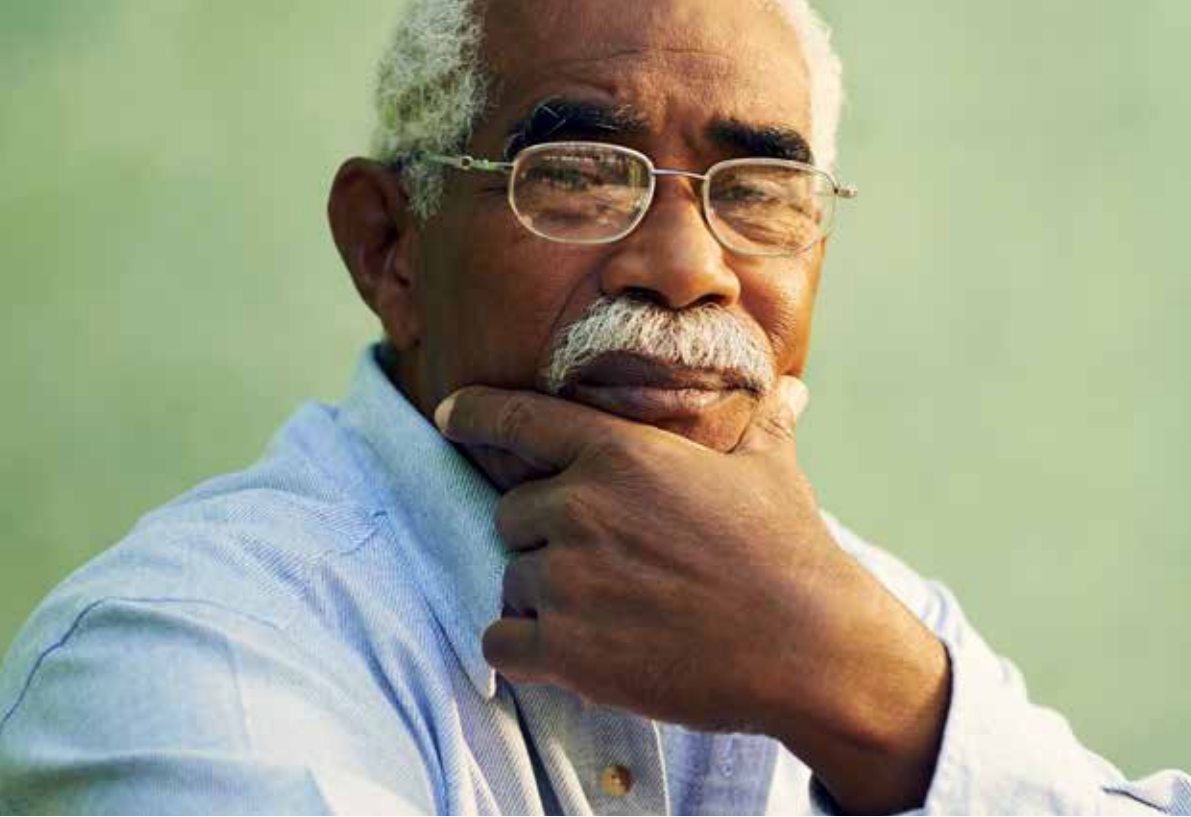
This report focuses on what happens during retirement starting with the time of retirement. The 2013 survey and focus groups when considered together offer some important new insights about how people retire and what influences their decisions:

- Respondents often report feeling pushed into “voluntary” retirement, and the distinction between voluntary and involuntary retirement may not be clear cut.
- While the survey respondents provided a combination of factors they were seeking to move away from and time they looked forward to, the focus group respondents seemed more motivated to make decisions based on what they were leaving, rather than the lure or “pull” of retirement.
- The influences driving retirement decisions are quite different by gender. Caregiving is a much bigger factor and push for women. This was discussed in more detail in the report on special issues for women.

The combination of the focus groups and the survey offer some continued major findings:

- There is a significant difference between what retirees experienced and what people expected before they retired. People expected to retire at later ages than they did. This reflects both involuntary retirement and the “push” that influenced voluntary retirements. Factors contributing to earlier retirement include work problems and environment, stress, health problems and disability, and family needs.
- While some work in retirement has been accepted as part of retirement, more people expect that they will continue to work in retirement than actually do.

The combination of the focus groups, the 2013 and the 2007 surveys together showed a mix of responses with regard to awareness about the potential for future changes that would require help. Observers of the focus groups indicated that the men were much more in denial about such future changes and women were much more concerned. While this research showed that many of the respondents were aware of such changes, there are many people who are not planning for them. In any case, financial products do not play a major role in such plan-



ning. The 2013 study focuses specifically on planning for widowhood and considerations with regard to moving, whereas the 2007 study looked at three broad stages of retirement in terms of capability.

The report looks at experiences during retirement and expected changes during retirement. New questions offer insights on what people miss during retirement. The responses highlight the importance of contact with others and structure in their daily lives. Work brings this structure and a large percentage of retirees miss it. This highlights the importance of planning for activities during retirement. Such planning needs to be in addition to financial planning.

The 2013 survey and focus groups when considered together offer important insights. Even though many people experience significant changes (usually declines) as they age, many Americans do not personally expect to experience such changes. This is true about both physical and cognitive declines. Women are more likely to focus on such issues when compared to men. Among those who do anticipate such changes, relatively few have a plan for dealing with them.

There are a variety of other groups who focus on retirement readiness and expected retirement readiness. Those studies most often focus on financial issues, and they generally find that many people will not be ready for retirement if “ready” means having the financial resources to maintain their living standard at the age that most Americans have retired. This study effectively supplements findings about financial readiness by pointing out that people are not well prepared for future changes which may occur.

These findings can be considered together with the findings from “The New American Family” study. That study, sponsored jointly by the Society of Actuaries and the MetLife Mature Market

Institute, indicated that families were important to many respondents, but that they did not incorporate family assistance well in their planning. In that study, no significant differences between blended families and first marriages were found. However, substantial differences between couples and individuals without partners were found.

Planning for such changes involves trade-offs and is not easy. Changes in family circumstances are difficult to predict and tend to have more serious consequences at older ages. Once such changes take place, they may have a cascading effect, which can further complicate retirement arrangements. Individuals with family members or a support network who can offer assistance may effectively have needed support that can be called on without formal planning. Couples can often help each other. Those with more financial resources may feel that they can secure help when needed. Some of the questions that can be asked to help prepare for some of these changes include the following:

- Do we (I) have a support network in place? If it includes family members, do they have the time and willingness to help if needed?
- Will we need to buy support services in the marketplace? Do we know how to find them?
- These findings are troubling when considered together with the assets and expected retirement income of many middle income Americans. Most will experience some change in living standard if they retire early, and for many, it will be huge. Retirement age is one of the most important levers that middle-income Americans have in decision making that will affect their retirement welfare. While saving more is an important strategy earlier in life, as individuals reach retirement age, saving enough to make up for prior shortfalls in saving is generally no longer an option.

Readers interested in learning more about how spending changes in retirement may wish to read the papers collected in the SOA's online monograph entitled Needs and Spending in Retirement: Unraveling the Mystery available at www.soa.org. ►►



Notes

Pre-retirees expect to retire seven years later than current retirees actually did.

Survey Findings

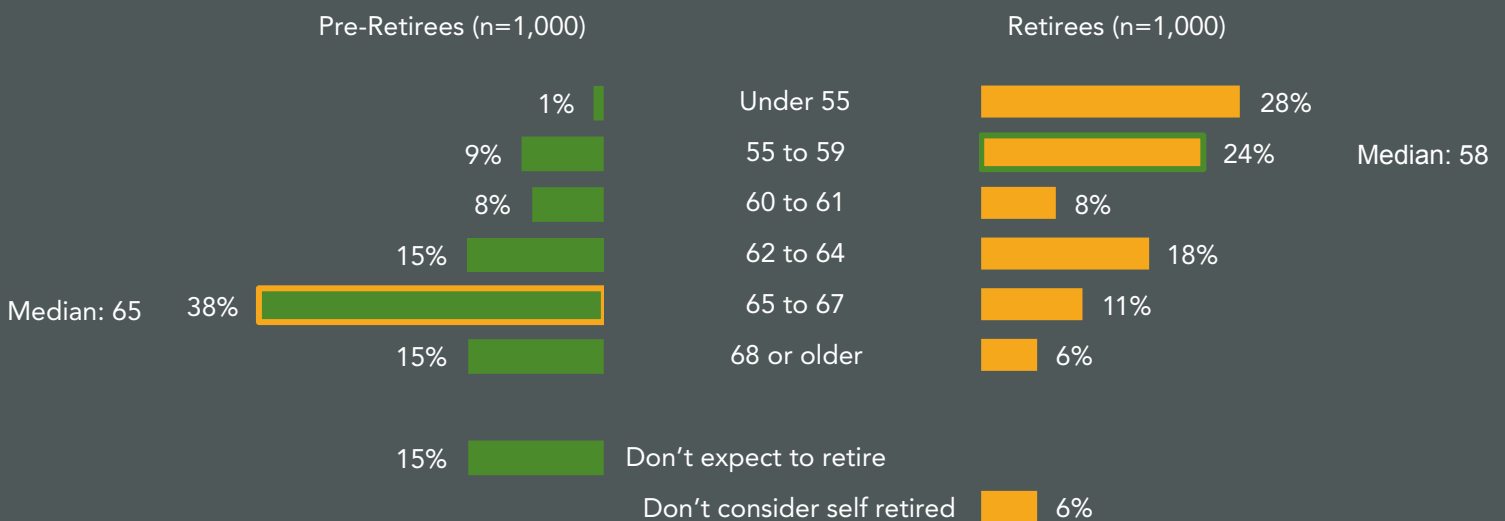
Overall, pre-retirees plan to retire at a considerably older age than retirees actually retired. Although just over half of retirees (52 percent) retired before age 60 (the median age was 58), about the same proportion of pre-retirees (53 percent) expect to retire at age 65 or later. Another 15 percent of pre-retirees do not expect to retire at all.

Quotes

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

Male, Chicago

At what age (do you expect to/did you) retire or begin to retire from your primary occupation?



Discussion

- As in prior surveys, people retire much earlier than pre-retirees expect to. The focus groups highlighted that many voluntarily retired people were pushed. There is also considerable involuntary retirement. When considered together with planning horizons and the fact that some people don't plan, this finding emphasizes the need for more planning.
- Results from other surveys (MetLife Mature Market Institute, Best Case Strategies for a Flexible Retirement, 2011) have indicated that earlier planning, and planning for unexpected contingencies related to health, changing economic conditions, and spousal retirement circumstances among others are important factors for consideration, and that the decision to retire earlier or later than anticipated is often based on multiple interacting circumstances at the personal, employer, and economic level. ►►

Notes

Six in ten pre-retirees plan to continue working in retirement but only two in ten retirees actually did.

Survey Findings

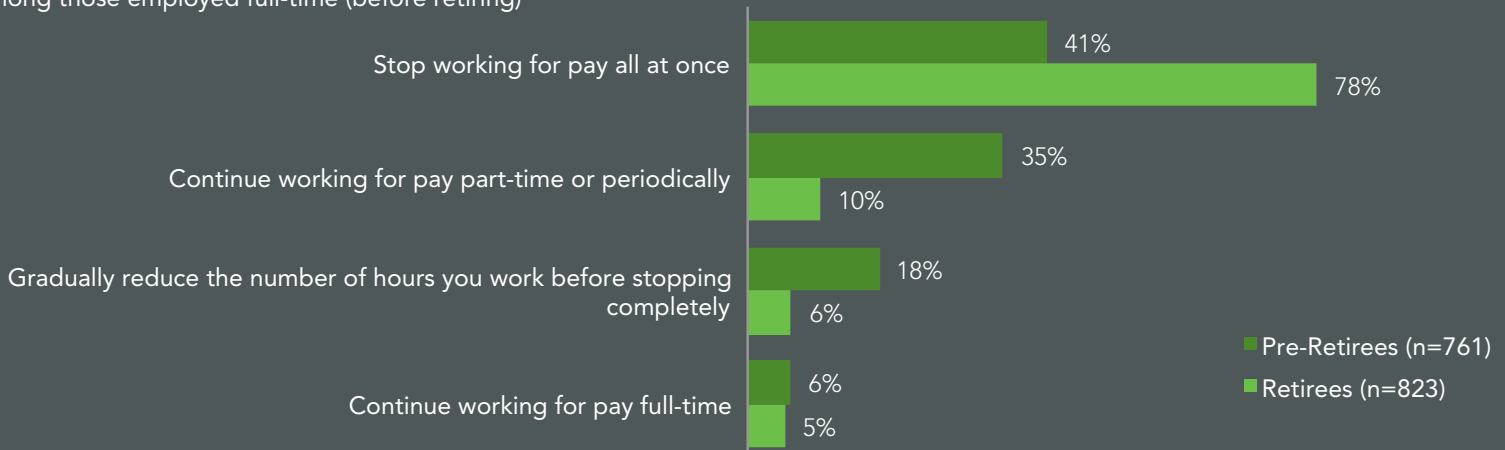
Only four in ten pre-retirees (41 percent) who plan to work full time in their primary occupation the year before they retire intend to stop working for pay all at once when they do so. By contrast, the large majority (78 percent) of retirees who worked full time in the year before retiring report they actually stopped working for pay all at once.

Quotes

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

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

Among those employed full-time (before retiring)



Discussion

- This is another area where there is a significant gap between expectations and what actually happens. There is an opportunity to support longer work through offering job options, and through helping people who want to work, keep their skills up-to-date and realistically prepare for later-in-life work. ▶▶

Notes

Work-related issues play a key role in the decision to retire.

Survey Findings

Retirees most often say the work-related issues that affected their decision to retire a great deal or somewhat were the environment no longer being comfortable (34 percent) and work no longer being interesting (28 percent); pre-retirees appear to be counting on a financial incentive (49 percent) or expect to leave their primary occupation due to health problems or disability (42 percent).

Quotes

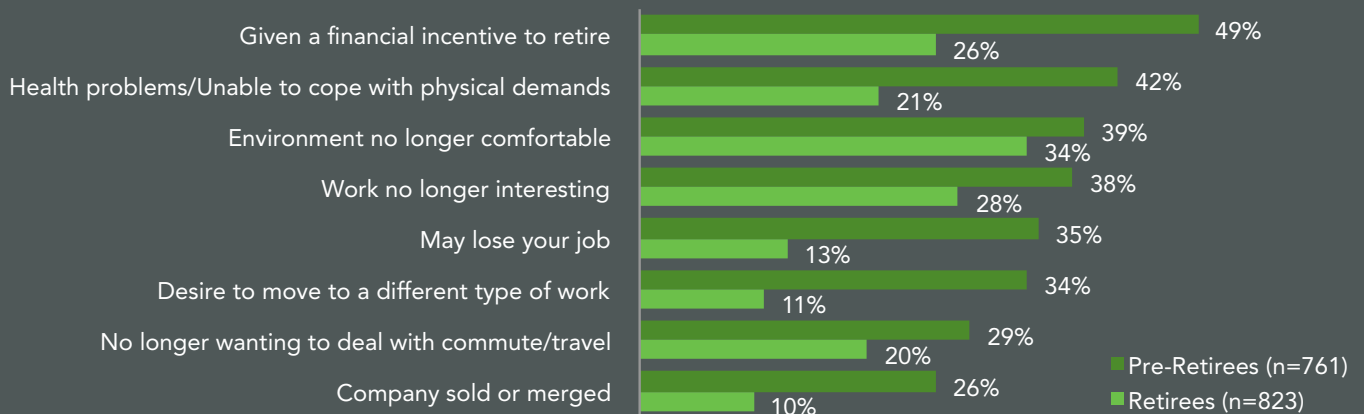
"It was decided for me, because I had health problems.... It just wasn't possible for me to do the things I could do [before] anymore." **Female, Baltimore**

"That one accident, too many fires, too many house-calls, the red phone ringing. Over a period of time you begin to think it's time to go." **Male, Chattanooga**

How much (do you think/did) each of the following work-related issues (will) affect your decision to retire from your primary occupation?

(Percentage responding a great deal or somewhat)

Among those employed full-time (before retiring)



Discussion

- The focus groups and survey revealed a number of problems that led people to retirement. Some of these problems indicate that there are opportunities to change the culture, work environment and create new job options that would enable or encourage some people to work longer. This can be important to both employer and employee, particularly in job functions where there is a shortage of talent. For many people working longer is important to having a retirement that is reasonably secure financially and satisfying in terms of quality of life. ▶▶

Notes

Many also look forward to their retirement.

Survey Findings

Almost all pre-retirees (94 percent) and the large majority of retirees (81 percent) say they are or were looking forward to enjoying their retirement. Many also say they are or were looking forward to the day when they no longer work for pay (84 percent of pre-retirees and 64 percent of retirees) and wanting to pursue their passions and interests (74 percent and 56 percent).

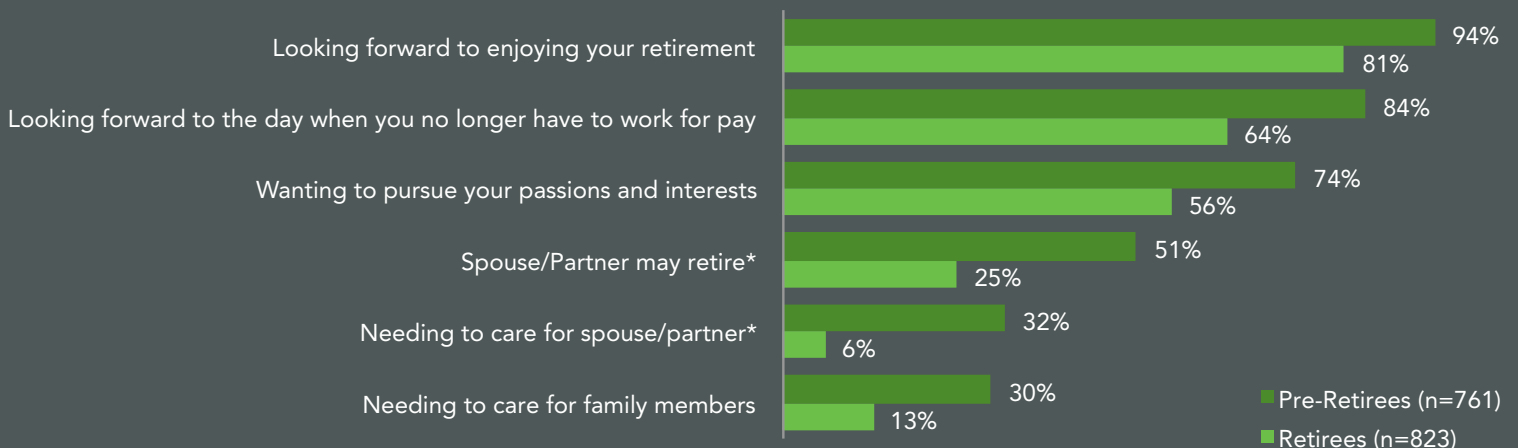
Quotes

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

How much (do you think/did) each of the following personal issues (will) affect your decision to retire from your primary occupation?

(Percentage responding a great deal or somewhat)

Among those employed full-time (before retiring)



*Pre-retirees n=550; Retirees n=688

Discussion

- Even though many people said that they were pushed into retirement, most, but not all, of the focus group respondents were enjoying retirement. ▶▶

Notes

Many miss various aspects of their job once they are no longer working.

Survey Findings

While pre-retirees most often expect to miss the financial aspects of having a job such as a regular paycheck (85 percent) and employee benefits (75 percent), retirees most often report missing relationships with co-workers (72 percent). Roughly half miss the mental stimulation (58 percent of pre-retirees and 48 percent of retirees) and the sense of purpose or feeling needed (57 percent and 46 percent).

Quotes

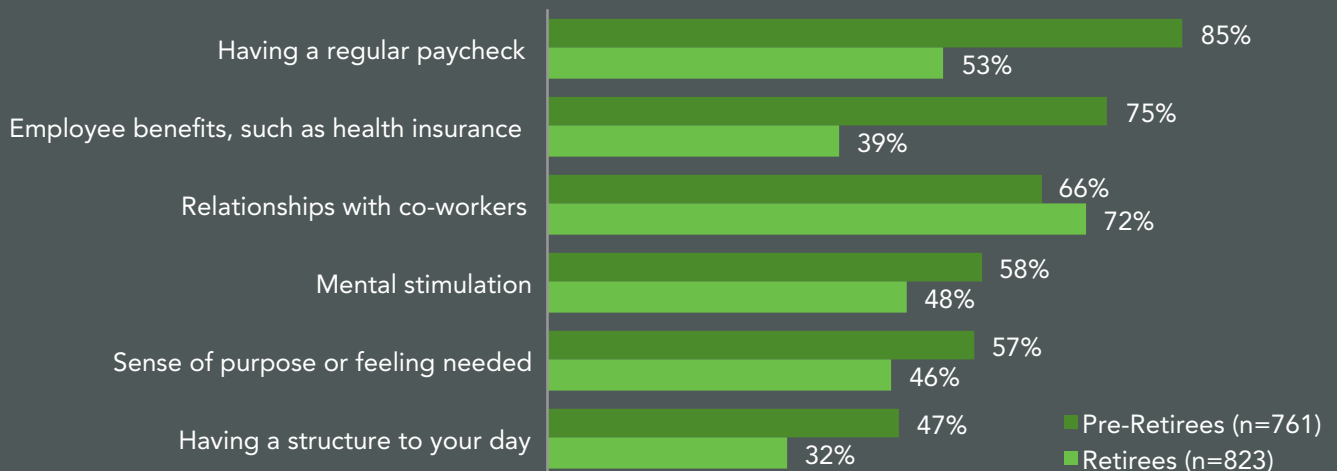
"For me, how tired I got at doing the things that I thought I would really spend a lot of time doing. I thought I would still be enjoying it at the same level that I did when I first retired." **Male, Phoenix**

"With me, it is finances in the sense of the liquidity of it. When I was working, there was money always around. Now, I have to think about it." **Female, Baltimore**

How much (do you think you will/do you) miss the following aspects of your job?

(Percentage responding a great deal or somewhat)

Among those employed full-time (before retiring)



Discussion

- Workers missing various aspects of their jobs demonstrates the value of planning, especially for replacing social and other non-economic aspects of employment. For people who had a choice, feelings of missing work also raise the question of whether it would have been advisable to work longer. ▶▶

Notes

A sizable percentage of retirees expect to always be able to work and move around as before.

Survey Findings

There is some degree of acceptance among retirees that they may experience changes in their physical abilities over the course of their retirement, yet a quarter of retirees still expect to never be physically unable to work or less able to move (23 percent and 25 percent, respectively). Pre-retirees are more likely to think they will experience each of these changes in retirement.

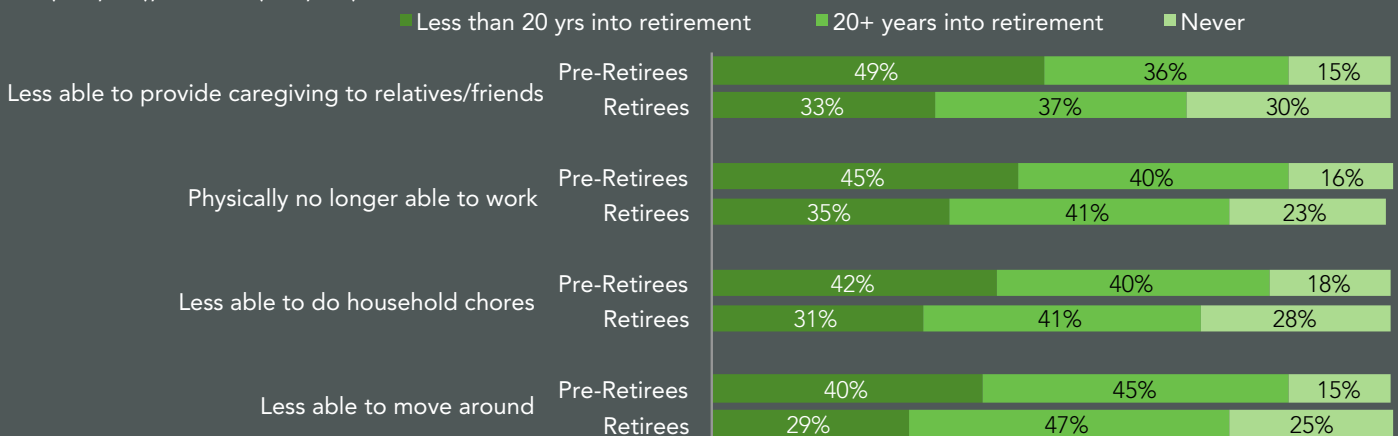
Quotes

"What surprised me is that I don't have as much stamina as I used to.... I just feel like I am surprised that I'm slowing down a little, and I don't like that."

Female, Phoenix

People's abilities and needs often change over the course of their retirement. When do you think you, yourself, will begin to experience the following changes, if ever?

Pre-Retirees (n=1,000); Retirees (n=1,000)



Discussion

- Planning issues go beyond financial issues and include possibilities such as diminishing capabilities. Some retirees appear unrealistic with regard to their potential capabilities and limitations, and may be surprised by the consequences of no longer being able to have the same functionality for different aspects of their lives. ▶▶

Notes

Retirees and pre-retirees are even more likely to say their mental abilities will never diminish.

Survey Findings

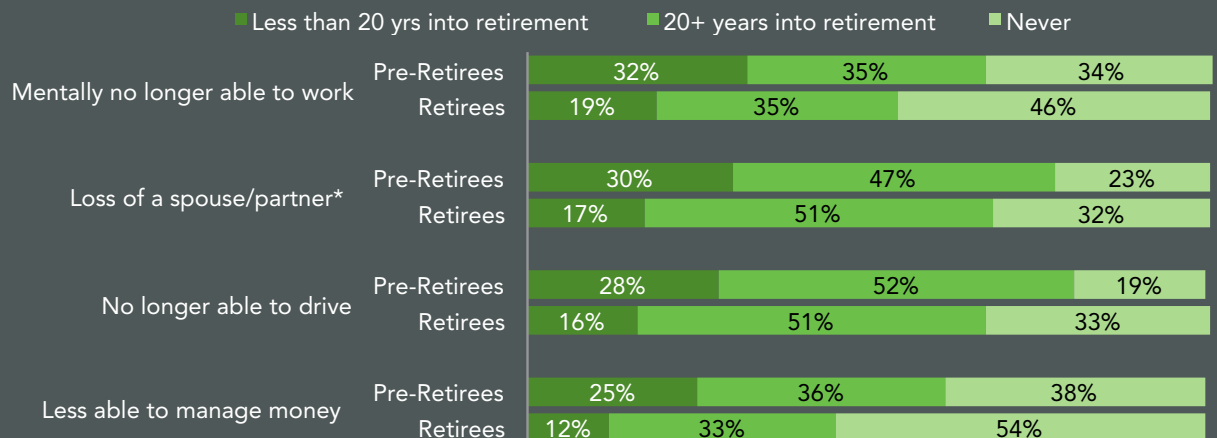
Roughly half of retirees think they will never lose the mental capacity to work or to manage money (46 percent and 54 percent, respectively). Pre-retirees are more apt to think their mental abilities will diminish at some point in retirement. Roughly one-third of married retirees (32 percent) and one-quarter of married pre-retirees (23 percent) say they will never lose their spouse.

Quotes

"I remember when my father and mother were getting up there in years, and I would rent them movies. That is when we had the VCR. They could never figure out how to do it. I would write them instructions, but ... they never watched them, because they could never figure them out. But now I find all the newfangled stuff that I don't want to [deal with]." **Female, Phoenix**

People's abilities and needs often change over the course of their retirement. When do you think you, yourself, will begin to experience the following changes, if ever?

Pre-Retirees (n=1,000); Retirees (n=1,000)



*Pre-Retirees n=709; Retirees n=749

Discussion

It is not uncommon for people to try to disguise changes in physical and mental capabilities as they are occurring. Behaviors and other habits that are used to cover up diminishing facilities can vary widely. As many retirees are living alone in their later ages, diminishing capabilities are difficult for other family members to recognize, and, consequently, opportunities to take early action may be missed. ▶▶

Notes

Only 1 in 4 pre-retirees in relationships have made plans to cope with the loss of a spouse/partner.

Survey Findings

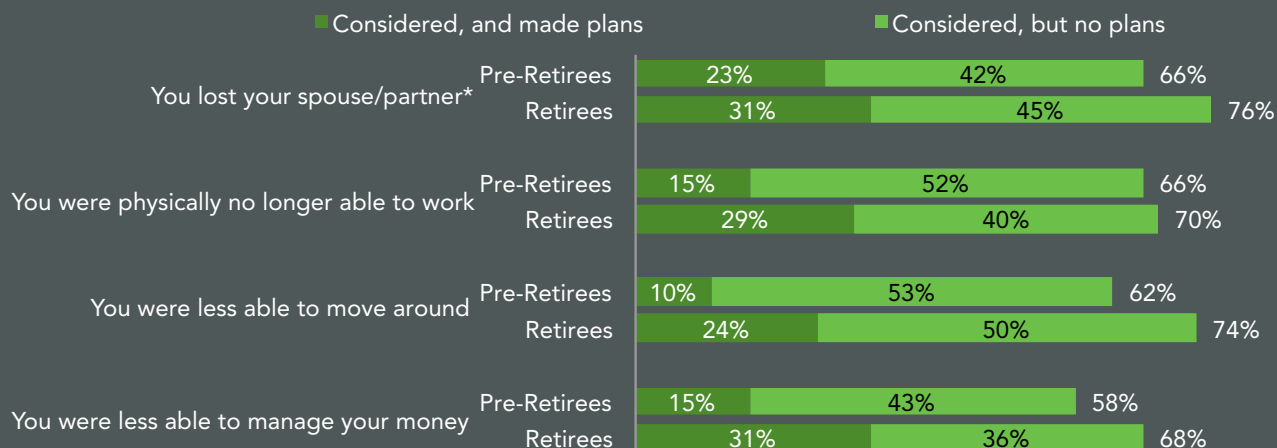
A majority of pre-retirees and retirees have considered how they would respond to a number of major life changes that might occur in retirement, yet too few have actually made plans to deal with these circumstances. For example, only about a quarter of pre-retirees (23 percent) and 3 in 10 retirees (31 percent) have made plans to cope with the loss of a spouse or partner.

Quotes

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

Have you considered and planned for how you (and your spouse/partner) would respond if the following changes were to occur (in retirement)?

Pre-Retirees (n=1,000); Retirees (n=1,000)



*Pre-Retirees n=709; Retirees n=749

Discussion

- Among those women who live to higher ages (over age 80), a great many are widows. U.S. census data for women 75 and older show 57 percent widowed and another 7 percent divorced; barely 30 percent are married with their spouse still living with them. But many people do not plan for these eventualities. This is an area for more education and help.
- It is notable, also, that while more retirees have actually made plans for some of these contingencies, they are considerably outnumbered by those who have not made plans, even for possibilities such as losing a spouse. Deferring concrete responses to these actuarial inevitabilities can have significant consequences, and would benefit from additional emphasis in planning activities. ►►

Notes

A majority have considered how they would respond to other life changes, but few have made specific plans.

Survey Findings

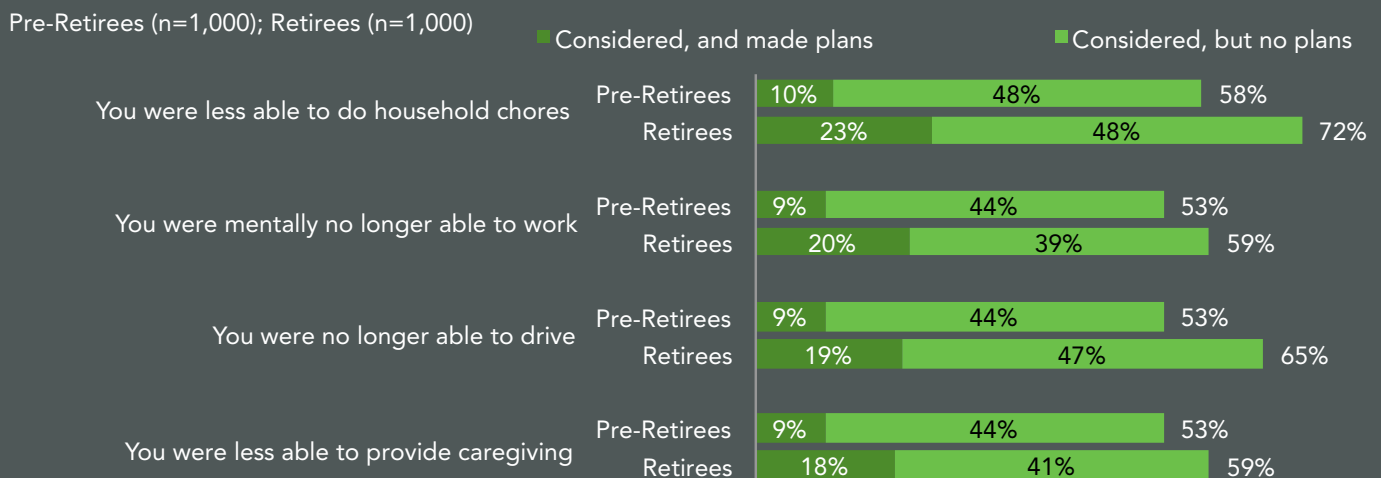
Planning for other life changes is even less common. Only about 1 in 10 pre-retirees and 2 in 10 retirees have planned for what they would do if they were less able to do household chores (10 percent of pre-retirees and 23 percent of retirees), mentally unable to work (9 percent and 20 percent), no longer able to drive (9 percent and 19 percent), and less able to provide caregiving (9 percent and 18 percent).

Quotes

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

Male, Chicago

Have you considered and planned for how you (and your spouse/partner) would respond if the following changes were to occur (in retirement)?



Discussion

- There is quite a lot of awareness of possible changes, but few people have made specific plans. As the focus groups point out, one never knows whether a change will occur or when. Many different things may happen, and, for many people, the default option is to defer the decision and deal with what happens when it occurs. Those with adequate financial resources have better options for dealing with the unexpected. ►►

Notes

A large majority think it is important to stay in their current home.

Survey Findings

Four in 10 pre-retirees and half of retirees feel that it is very important to keep their primary home because it is comfortable and familiar to them (42 percent and 55 percent, respectively). Respondents place less importance on the ability to use the money from the home as an emergency fund or to leave the home as an inheritance.

Quotes

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

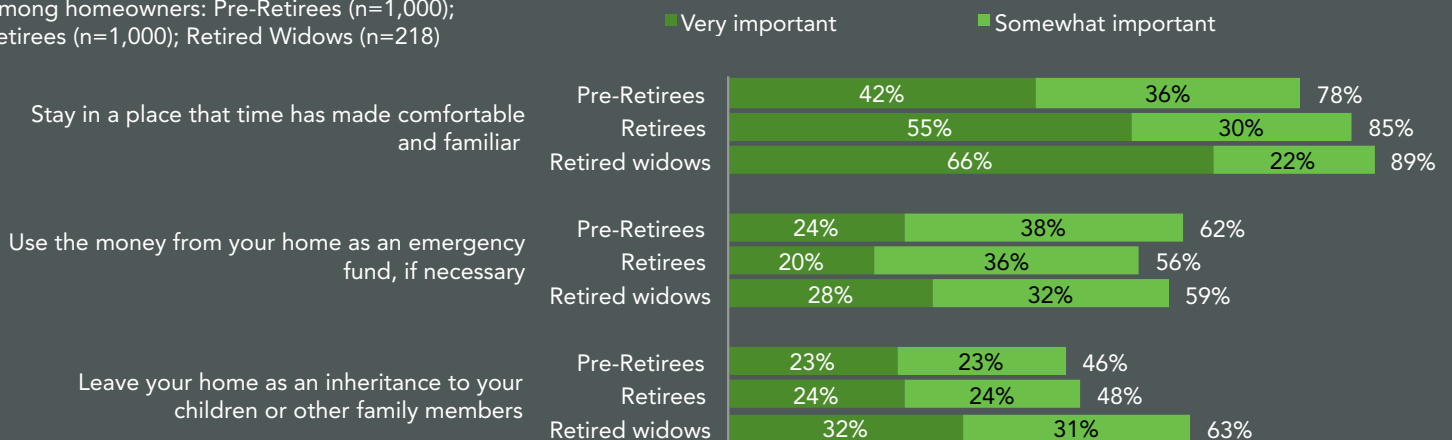
Male, Chicago

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

Female, Chattanooga

How important is it for you (and your spouse) to keep your current primary home so that you can ... ?

Among homeowners: Pre-Retirees (n=1,000); Retirees (n=1,000); Retired Widows (n=218)



Discussion

- For many families, housing is their greatest asset in retirement. However, most families do not want to move and they very much like their housing. Housing is very important as a part of the financial picture in many families, because of access to family and friends, and because it is familiar and comfortable. It is very important moving into the future that good tools be available to help people understand the options with regard to housing and when a change is needed.
- Notably, retired widows often are far more cognizant and attentive to these issues in comparison to retirees in general, perhaps reflecting their recognition of eventually having to face challenges related to their ability to age in place without the support of a spouse or nearby caregivers. ▶▶

Notes

One-third of retirees with a mortgage do not expect to pay it off until after age 70.

Survey Findings

The majority of pre-retirees expect to pay off their mortgage by about age 65. A quarter of this group (25 percent), however, does not know when they can expect to have it paid off. There is an even greater degree of uncertainty amongst retirees who still have a mortgage, with a third not knowing when they will have paid off their mortgage (33 percent). Note that more than half of pre-retirees have mortgage debt and more than one-third of retirees have such debt.

Reverse Mortgages

Focus group findings show an aversion to reverse annuity mortgages. Many are uncomfortable because the interest costs build up over time. Others conceptualize a reverse annuity mortgage as an extra burden for their children.

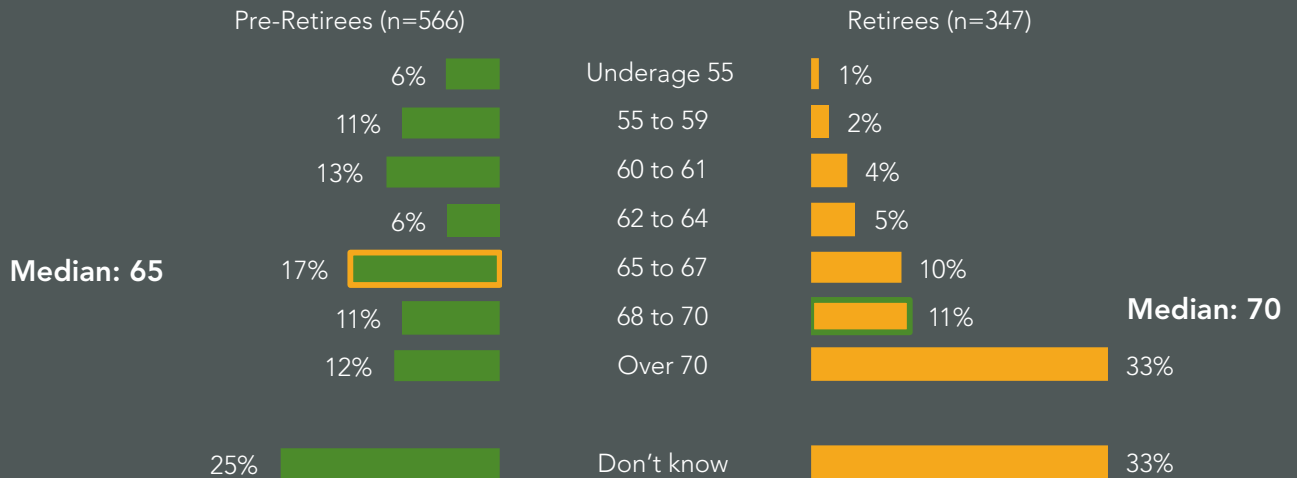
Quotes

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

Female, Baltimore

At what age do you expect to pay off the mortgage on your primary home?

Among homeowners with mortgages



Discussion

- Opinions differ today as to whether it makes sense to carry a mortgage into retirement. Conventional wisdom among many people was that it was best to pay off one's mortgage before retirement. However, today an increasing number of people are entering retirement with mortgages. Planners have mixed views on this topic—not all recommend paying off mortgages before retirement. Debt seems to be an increasing problem at many life stages. Resolution of this question needs to also take into account the after-tax earnings on retirement assets and the cost of carrying the mortgage.
- Additional information/education about the appropriateness and advantages/disadvantages of recent changes in reverse mortgage products within the context of long-term financial security could benefit retirees who need to consider potential financial challenges later in their retirement. This is especially true for a surviving spouse, most of whom are female, who may be facing multiple reductions in annuitized guaranteed income sources such as Social Security payments, pension joint and survivor payouts, and individual annuities in conjunction with the potential continuation of forward mortgage payments as noted above. ►►

Notes

Reduced responsibility for home maintenance is a likely reason for people to leave their current home.

Survey Findings

About three-quarters of pre-retirees and nearly as many retirees cite the following as reasons why they might eventually leave their home: reduced responsibility for home maintenance (77 percent and 74 percent, respectively), health or physical disability (76 percent and 78 percent), and changed needs upon the death of a spouse/partner (75 percent and 78 percent).

Quotes

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

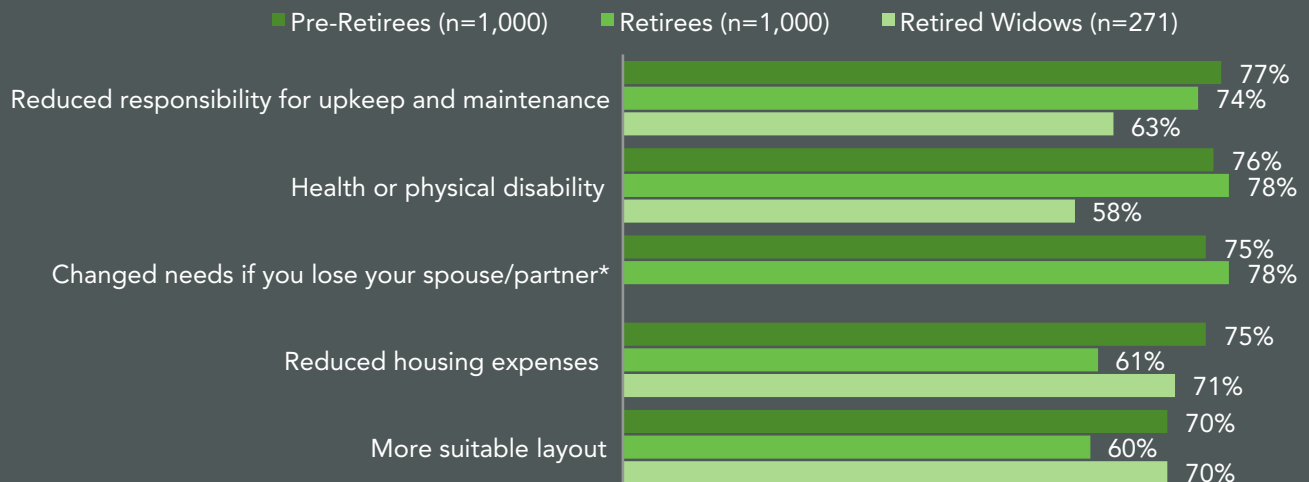
Female, Chattanooga

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

Female, Chattanooga

Which of the following do you think might be reasons why you eventually leave your current home?

(Percentage saying major or minor reason)



*Pre-Retirees n=709; Retirees n=749

Discussion

- People leave their homes when the homes become unmanageable and/or unaffordable. They may also leave them to relocate. People who have had several children may choose to move to a smaller home. The issues are entirely different for those with adequate financial assets and those who have limited financial resources. ▶▶

Notes

Climate, being closer to family, and better access to friends and services are less compelling reasons for leaving.

Survey Findings

Proximity to family, friends or activities, and services or support they may need are less common reasons for a potential move. Interestingly, retired widows diverge sharply from other retirees on many of the potential reasons. For example, three-quarters of retired widows (77 percent) cite tapping into the equity of the home as a potential reason, while only 4 in 10 retirees (38 percent) say the same.

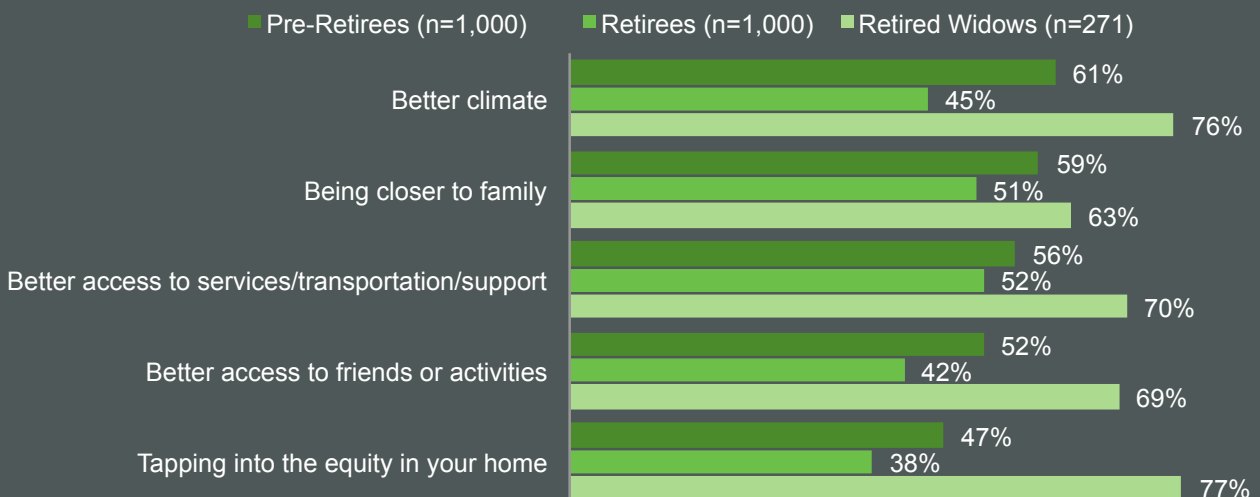
Quotes

“Health care is so, so expensive nowadays. If you do have a house or land, and you have a catastrophic illness, unless you have got millions and millions put away, the average citizen is going to end up selling that house.”

Female, Baltimore

Which of the following do you think might be reasons why you eventually leave your current home?

(Percentage saying major or minor reason)



Discussion

- While retirees very often prefer to stay in their homes, there are a variety of reasons that encourage them to move. Moving can improve lifestyle in some situations.
- A recent study by the Employee Benefit Research Institute (EBRI) corroborates the dilemma many retirees face as to whether to stay in the home in which they have lived for years or to downsize to a place they can better afford. The EBRI report showed that, in 2009, more than 40 percent of all senior households had incomes less than expenditures. At \$30,000 annual income, for example, generally considered the lower end of “middle income,” margins between senior households in a deficit position and those with positive cash flow were not that large. Analysis of their expenditures by category showed housing expenses as the largest driver of the deficits, with higher health costs a distant second.

Source: EBRI Issue Brief #383, “Income Composition, Income Trends, and Income Shortfalls of Older Households,” February 2013 ►►

Notes

Added Insights from 2007 Phases of Retirement Report

The 2007 report, “Key Findings and Issues: The Phases of Retirement and Planning for the Unexpected,” provided important information that remains valid today. Those findings should be considered together with the 2013 findings.

In 2007 three phases of retirement were defined: no change in capabilities; moderate change in capabilities; and major change in capabilities. The study explored how aware participants were of the likelihood of such phases of retirement, and what they had done to plan for them. The 2007 report is available on the SOA website, www.soa.org. Some of the observations about the phases are as follows:

- Seventy-two percent of retirees and 84 percent of pre-retirees expected to have a period when they would be somewhat less able to do what they were currently doing. Fifty percent of retirees and 42 percent of pre-retirees expected to need more money during this period. A few people thought they would need less.
- Sixty-five percent of retirees and 68 percent of pre-retirees expected to have a period when they were much less able to do what they are currently doing. Fifty-six percent of retirees and 55 percent of pre-retirees expected to need more money during this period. A very small group thought they would need less.
- Dependence on family and community services is expected to increase during this period. The survey report also included research from the Urban Institute on activities during retirement. Eight out of 10 adults age 55+ engage in productive activities. Such activities are important to people’s well-being. Activities analyzed were work, formal volunteering, informal volunteering and caregiving. Formal volunteering does not change much by age, but work, informal volunteering and caregiving decline with increasing age.
- A description of each of the three phases is included in the 2007 report.

The 2007 report also included questions about whether people thought that they would be much better off if they retired three years later. The responses showed a lack of understanding of the value of working longer. Fifteen percent of the retirees and 14 percent of the pre-retirees thought that they would be a lot more secure. Thirty percent of the retirees and 54 percent of the pre-retirees thought that they would be a little more secure. Fifty-one percent of the retirees and 30 percent of the pre-retirees thought that they would be no more secure, and a few did not know. The only reason heavily selected for being more secure was continuing to receive employer-sponsored health insurance. ►►



Notes



Gender Differences during Phases of Retirement

In most respects, men and women view changes in retirement similarly in terms of planning, reaction and risk management. Differences in how they react occur primarily in terms of caregiving responsibilities and anticipated changes in mental and physical abilities. Among both pre-retirees and retirees, women are more likely than men to say that caregiving responsibilities will affect or did affect their decision to retire. In addition, women are more likely than men to report they will spend or did spend at least an hour a week in retirement providing caregiving for a spouse/partner, children or grandchildren, other relatives, and others not related to them.

Female retirees are more apt than male retirees to have considered and planned for changes in their mental and physical abilities. They are also more likely to turn to services provided through a senior housing community or paid help purchased independently for assistance and support. Widows also report a greater preference for remaining in their current homes in comparison to men, suggesting that these needed services become even more important after the loss of a spouse and as women switch roles from caregiver to care recipient. ►►



Notes

Financial Planners' Perspective on Phases of Retirement

BY PAULA HOGAN AND RICK MILLER

In our experience, the financial aspects of retirement planning are relatively easy to identify and quantify. Its "softer" and more personal components are at least as important and more challenging to address. For most people, independence is a strong core value. For many, a long-lived romantic relationship is central to their quality of life. Earning power, job competence and making meaningful contributions are typically major elements of a person's assessment of self-worth. Retirement planning necessarily includes contemplation of loss with respect to each of these core values as well as acknowledgment of mortality itself.

In general, people don't much like to think about their coming retirement years. The topics are daunting to contemplate and confusing. As human beings, we are not wired to envision the future accurately, much less plan for it. In our experience, few retirees have direct experience with retirement planning challenges, and the solutions, if known, are often complex and expensive. No wonder many would prefer simply to ignore the possibility of these future events.

Formal financial planning provides a venue and a structure within which to discuss many of these issues. In our experience, many people require repeated mentions and significant elapsed time between the original introduction of retirement issues and in-depth discussion of and planning for them, as large personal change is usually made in small iterative steps.

Examples include:

- We often discuss long term care insurance several times before clients decide whether or not to purchase it, usually well before retirement.
- Clients may annuitize a small amount of assets every year for several years rather than purchasing one annuity for a large amount.
- Choosing among housing options for later in retirement requires a careful, thoughtful process including research, consultation and personal visits before finally making a move.
- With respect to career planning, small step experiments well before retirement with new volunteer activities or with a possible encore career engagement can pave the way for a smooth transition out of the client's primary career.

- Thoughtful family conversation and envisioning exercises engaged in well before retirement help clients identify how retirement might change daily life at home. It's a big transition to not leave home for work each day.

Structured consideration with an informed and objective third party can be helpful in many situations involving difficult issues and limited information. Advisers can provide access to accurate and current information, help counteract biases, coordinate planning across several disciplines with the client's other advisers and family, and provide personal affirmation, encouragement, accountability and support.

As mentioned earlier in this report, "Planning for retirement involves trade-offs." And, on that score, we would note that neither retirement planning nor retirement is easy and, like old age, neither is for sissies. ▶▶

The Link between Retirement Security and Long-Term Care

BY JOHN CUTLER AND ANNA RAPPAPORT

The SOA Committee on Post-Retirement Needs and Risks, working closely with the SOA Long Term Care Section, issued a call for papers in 2013: “Managing the Impact of Long-Term Care Needs and Expense on Retirement Security: A Holistic and Multi-Generational View.” These papers are published in a committee monograph.

The 2013 retirement risk survey indicates that many people do not expect to be limited later in life. Of those who do expect to have limitations, some plan for them; but many do not. It is important to consider the link between retirement security and long-term care (LTC), and the potential consequences of failure to plan.

Why This Is Important

LTC expenses can be devastating to the retirement income and lifetime financial security plans of households as well as their family caregivers. Households manage this risk with a variety of approaches, but few have a formal plan or insurance; their primary plan is family and friends for care; and their last resort protection is usually Medicaid. This lack of protection has put middle-class households at risk and has severely exacerbated household and societal challenges to a financially secure retirement with:

- The depletion of retirement assets due to LTC expenses for many of the families who purchase services in response to a major LTC event.
- The impact on the financial security of the surviving spouse.
- The added responsibility and financial burden placed on family members who care for their parents and loved ones.
- The cost of health and LTC needs—these costs often outpace general inflation and/or the amount that individuals and families have planned.
- The effect of increased longevity on the likelihood of the need for care during retirement.
- The limited participation by middle-income earners in the private insurance market.
- The societal impact of an aging population on Medicare and Medicaid.

Current Situation

Only about 10 percent of the population own private LTC insurance, and the market is in a state of disarray, with many companies having exited the market and many more imposing rate increases because pricing has been so difficult. Medicaid is the largest funder of formal

programs, and these programs are under great financial pressure. Medicare funds a small amount of LTC via its coverage of post-acute care (but much less than many people believe) and is also under financial pressure.

Some of the Topics Covered by the Papers

Insurance is suggested as an important method of private financing, but at present only about 10 percent of the U.S. population have LTC insurance. Several of the papers in the monograph provide ideas for improving insurance solutions. Another paper looks at the relationship of LTC insurance and end-of-life care.

Another paper offers ideas for the integration of 401(k) plans and paying for LTC—that policy recommendations provide for restructuring the 401(k) and IRA rules to allow 25 percent of account balances to be set aside for LTC, with favorable tax treatment, and distribution requirements that fit with LTC needs.

Some of the papers focus on housing and its relationship to care. Another paper focuses on the impact for caregivers. Two papers include case studies showing how individuals made decisions.

Summary

Some of the questions addressed by this effort include:

- How can individuals and families protect themselves from the expense of LTC needs?
- How can they protect against financial ruin from the exorbitant expenses associated with LTC needs?
- How can LTC advisers and their clients improve decision-making along with better ways to frame and communicate the challenges and potential solutions?
- Are there alternative product designs both private and public that can address these challenges? Are there alternative financing approaches?
- How can individuals and families finance care needs while addressing their basic retirement risks to provide income and asset protection? ▶▶



Expectations about Housing and Moving

BY ANNA RAPPAPORT

Housing is a very important part of retirement lifestyle and has a substantial impact on well-being. For people who have lived in their homes for a long time, their homes can be an important source of comfort in life. Many people do not wish to move. Location is very important for access to work during working years. During retirement, location is important with regard to access to health care, other services, transportation, family, friends and activities. It is also important with regard to climate.

The 2013 survey asked new questions about respondents' intentions with regard to moving and what factors would influence a decision to move. Results of these questions are shown for pre-retirees, retirees and retired widows. Retired widows have the strongest interest in staying in their homes, and retirees are more interested in doing so than pre-retirees. Some people move as part of the retirement process. Retired widows are also the most likely to move to tap into home equity; to get better access to friends, family or activities; or to get a better climate.

Other SOA research shows that middle-income Americans nearing retirement on average have the majority of their assets in non-financial assets, primarily their house. Conventional wisdom is that mortgages should be paid off by retirement. Just over one-third of the retirees in this study have a mortgage on a home. Of that group 33 percent do not know when they will have the mortgage paid off, and another 33 percent expect to pay it off over age 70. The pre-retirees with mortgages in this study expect to pay them off earlier than the retirees with mortgages. The median expected ages at payoff are 65 and 70. The combination of the housing and financial crises of the last seven years has likely contributed to greater amounts of mortgage debt. Housing assets can be used to help finance retirement, but there is relatively little interest in doing that. This is consistent with prior findings.

The majority of the survey respondents recognize there are circumstances that would push them into moving. Some are choices like better climate, being closer to family, reducing expenses, and the desire for less responsibility for upkeep and maintenance. Others are situations where there effectively may be little choice, such as disability.

In these latter circumstances, adequate consideration and advice should include tapping into home equity (i.e., reverse mortgage or line of credit, etc.), which could prevent a forced move due to health and/or survivorship issues. As noted in the survey, widows are most interested

in aging in place. These financial security options are not a solution for everyone regardless of motivation or circumstances, and mandated safeguards are in place to educate the consumer and establish appropriateness of these products.

For some households, there is a need for better integration of housing considerations into retirement planning. For people who live in higher-cost households, the best opportunity for expense reduction may well be changing housing. On the other hand, when people begin to have limitations, there are a variety of housing options that include various forms of support. That topic was beyond the scope of this questionnaire. ▶▶

Expected and Unexpected During Retirement

BY ANNA RAPPAPORT

This report provides insights into both the expected and the unexpected, at the time of retirement and during retirement. For over 15 years the SOA Committee on Post-Retirement Needs and Risks (CPRNR) has been studying these risks, how they are perceived and managed. The research has taught us that while some people plan a lot, others plan little and are much more likely to deal with things when they happen. Focus groups conducted in 2013 indicate that planning and financial management are mainly tied to cash flows, and that it is common to deal with shocks and the unexpected when they occur. Even when people plan, there are often alternatives and trade-offs, and experts disagree about the best solutions.

This essay offers some resources to support planning, and also some hints. For an overview of the risks, and the broad types of solutions, see the CPRNR-produced “Managing Post-Retirement Risks—A Guide to Retirement Planning,” which addresses 15 different risks that retirees face (<http://www.soa.org/files/pdf/post-retirement-charts.pdf>). This guide, known as the “risk chart,” provides a very good view of the total landscape and contains a single-page discussion on each of the risks covered, including topics like “predictability” and tips on managing the risk.

Helping people make better decisions has been another focus of the work of the CPRNR. In 2012, it released 11 decision briefs on important decisions that individuals need to make at or during the time of retirement. Each of the briefs deals with a specific decision area and offers key considerations and resources to help individuals plan for retirement; they are listed below.

Here is my view of selected issues for individuals on some of these topics:

When to retire—Look at the alternatives and do the math. Often the journey to retirement is a mix of the expected and the unexpected. If you can’t do the planning and analysis on your own, get help. Seek out help that deals with the issues that you are most concerned about. Employers will generally help you understand their plans and the impact of working longer. Social Security offers free modeling software, and some private sources do as well. Don’t forget that these are household decisions. If you want to work longer, don’t forget to keep your skills and contacts up-to-date, and to be flexible in our changing world. Many people today try to retire later or continue with some work on a limited basis during retirement. If retirement happens earlier than expected, try to negotiate and get a better deal. You might need help from an attorney.

Thinking about widowhood—Plan for the survivor after one spouse dies. The timing of the first death may be expected after a long illness or it can be totally unexpected. The challenges after the first death can be expected and planned for, but often they are unexpected. Financial matters to think about include Social Security claiming age and strategy, elections of payment method for pensions, life insurance, LTC insurance, health benefits, and estate planning. Non-

financial issues to think about include housing and its affordability, where you want to live, interests, and having a support network in place.

Planning for limitations—Be realistic about the possibility of limitations. While we may recognize that there are potential limitations along the way, often there are unexpected events that occur, and sudden changes. Ask yourself some questions. What support systems are in place? How can family members help? Should we modify our home? Do we need to move into a smaller home or an apartment? Will specialized senior housing be a good option? What can we afford? Do we have LTC insurance and should we buy it?

Living a long time—Most people don't have a planning horizon that goes for the rest of life. While some plan for the longer term, others look at short-term cash flow. Don't forget the long term. There are a variety of ways to plan for the long term. The decision brief, "Designing a Monthly Paycheck for Retirement," available on the SOA website, provides options and alternatives for making income last a lifetime. Some hints are: Don't spend money too fast. Don't forget about inflation. A portfolio approach that includes some lifetime annuities beyond Social Security is a good idea for many people. Don't forget about the survivor. If housing is too expensive, downsize or move to a lower-cost area. Claiming Social Security later increases lifetime income—claiming it early decreases lifetime income permanently (except for annual cost-of-living increases).

There are a few ideas and things to think about. The publications discussed here include many more options and ideas. It is important to think holistically.

The decision briefs deal with the following topics:

- Deciding when to retire—Includes key questions that need to be considered, plus examples showing the financial benefits from delaying retirement.
- Dealing with unplanned early retirement—Recognizes that plans are often turned upside down by unplanned early retirement, and addresses things to consider.
- Special issues for women nearing retirement—Deals with special issues faced by women who typically live longer than men, and are likely to spend time as widows.
- Social Security claiming—Focuses on how to decide when to claim Social Security and the impact of the claiming decision. Also addresses special issues for couples.
- Methods of generating retirement income—Deals with replacing a regular paycheck, and various options for taking withdrawals from savings or utilizing products with longevity guarantees.
- Asset allocation—Focuses on the trade-offs and risks in deciding on the mix of asset classes to invest in.
- Decisions related to health insurance—Addresses the Medicare choices individuals face beginning at age 65, options for supplementing Medicare coverage; also reviews the health insurance challenges for pre-65 retirees.
- Planning for LTC—Deals with perhaps the biggest risk faced by retirees. Describes financial and non-financial considerations, and addresses the questions about whether to buy insurance.
- Housing—Recognizes that, although housing decisions are typically made later in life, major lifestyle and financial issues are involved, so it pays to plan early. Also addresses special elderly housing issues.
- Estate planning—Recognizes that estate planning is not just for the wealthy, and that there are key issues for everyone.
- How to find reliable financial advice—Recognizes that it is not easy to find good-quality, unbiased financial advice at a reasonable cost, and provides suggestions to help avoid the pitfalls. ►►

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The views and opinions expressed in this report are those of the authors and do not necessarily reflect those of the Project Oversight Group nor the SOA as a whole.

TO OBTAIN A COPY OF THE COMPLETE SURVEY REPORT

The 2013 Risks and Process of Retirement Survey report may be obtained from the website of the Society of Actuaries at www.soa.org.