



Retirement Survey Report  
Key Findings and Issues:

# 2015 Risks and Process of Retirement Survey



# ACKNOWLEDGMENTS

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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 2015 Risks and Process of Retirement Survey report may be obtained from the website of the Society of Actuaries at [www.soa.org](http://www.soa.org).

# 2015 Risks and Process of Retirement Survey

## Introduction and Background

More than one in three retirees have experienced financial shocks that depleted at least 25 percent of their retirement assets, according to a new study from the Society of Actuaries (SOA). A shock event is a development that can derail or complicate a retiree's financial status.

The finding is one of several new retirement insights to emerge from the SOA 2015 Risks and Process of Retirement Survey and allied research. Other new insights in the 2015 study address the impact on individuals of long-term-care events, parents' experiences with retirement, and level of income. The research also looks at individuals who have been retired for many years and how they manage assets and spending decisions over the long term.

The SOA has published the biennial study of pre-retirees and retirees for more than 15 years. In addition to probing new

retirement territory, the 2015 study confirms knowledge and perception about retirement identified in the earlier studies. The predominant focus is on middle-income Americans and Canadians.

As in the past studies, the new study shows that pre-retirees generally experience more concern about most retirement risks than do retirees. But the researchers also found that actual experience in retirement varies in several ways from what many people had originally planned, or had expected, before they retired. The findings may provide valuable insights for retirement professionals, employment benefit plan sponsors, financial advisors, pre-retirees, post-retirees, policymakers and others who want and need to know what may lie ahead in a person's later years.

### About the Study and Related Research

Conducted in August 2015 on the behalf of the SOA by Mathew Greenwald and Associates, the 2015 Risks and Process of Retirement Survey is the SOA's eighth biennial study on post-retirement risks. This survey provides quantitative data on views of more than 2,000 older Americans, ages 45 to 80, with pre- and post-retirees split nearly 50/50, and also nearly 200 widows.

The topics covered range from managing risks in retirement to handling expenses, income, debt, caregiving and many other aspects of pre- and post-retirement risks. Unlike many other studies on this topic, this study does not have a particular focus on high-net-worth individuals. Only 6 percent of pre-retirees and 9 percent of retirees reported having investable assets of \$1 million or more. Participants were selected by using Research Now's nationwide online consumer panel. More detail on the survey parameters appears at the end of this report.

In 2015, the SOA also conducted two research initiatives on how adults think and feel about retirement risks. These projects generated qualitative information, including the comments shown in this report from retirees themselves. The qualitative studies included the following:

- *Focus Groups:* In June and July, the SOA conducted a series of 12 focus groups that explored the longer-term consequences of retirees' financial decisions resulting from a lack of retirement planning. The focus group participants were long-term middle-market adults of both genders who reported being retired for at least 15 years. They resided in five locations: Baltimore, MD; Chicago, IL; Dallas, TX; Kitchener, ON; and Edmonton, AB. Each participant's investable assets ranged between \$50,000 and \$350,000, and they had household income of more than \$2,000 a month from rental properties and defined benefit plans. In addition, some groups focused on those who had experienced marital change during retirement. As such, the focus groups reflected people who had some financial constraints.
- *Interviews:* The SOA conducted a series of 15 in-depth interviews in the United States and Canada to gauge views on long-term care. The interview subjects were people whose parent or spouse needed long-term care in old age,

and they provided caregiving as well as being involved with finances.

Now, in 2016, the SOA is publishing a series of four Special Topics Reports that spotlight and analyze key findings on several risk issues raised in the survey, focus groups and interviews. These reports will be released throughout the year. They draw on both the quantitative and qualitative research done in 2015, supplemented with detail from earlier studies, and informed by commentary from members of the Project Oversight Group of the SOA's Committee on Post-Retirement Needs and Risks, representatives of organizations that supported the studies and material from other related research.

This, the first of the four Special Topics Reports, examines the dominant, and sometimes surprising, trends in the overall data. Subsequent Special Topics Reports will address other noteworthy retirement issues raised in the 2015 research.

### Comparison to Previous Surveys

Some questions in the 2015 survey were similar to questions asked in the prior surveys, and they produced similar findings as well. Given that the SOA retirement risks survey series has spanned two major U.S. recessions, the similarity in results between surveys suggests that the post-retirement years may have certain risks and issues that are common for pre-retirees and retirees over time, economic conditions notwithstanding.

#### FINDINGS COMMON TO PRIOR SOA STUDIES

Some of the key consistencies between the 2015 findings and those in previous years include the following:

- Health care costs, long-term care and inflation are the top concerns that both pre-retirees and retirees report having about post-retirement risks.
- Pre-retirees are more concerned than retirees about most risks.
- Actual retiree experience differs from pre-retirees' expectations in two key areas:
  - *Timing of retirement*—Retirees retired substantially earlier

than pre-retirees said they expect to retire.

- *Working in retirement*—Fewer retirees work during retirement than pre-retirees expect to be the case in their own work expectations for retirement.
- Retirement planning, if done, is minimal and not robust enough to manage the long-term risks in retirement. Planning horizons are commonly very short.
- The top risk management strategies among those surveyed were increasing savings, paying off debt, and reducing spending.
- The use of risk protection products (other than health insurance) is not very common.
- The general knowledge and understanding of retirement risk of those surveyed was relatively consistent with prior studies. Gaps in knowledge continue to exist.

### FINDINGS ON NEW ASPECTS OF RETIREMENT RISKS

The 2015 survey and focus groups probed new aspects of retirement risks not previously explored in the SOA's earlier retirement risk studies. These new areas include the impact of shock events, insights gleaned from longer-term retirees, the awareness of long-term-care needs, the influence of parents on perception of retirement risk and the role of income level in the retirement risk experience. A brief summary of these trends follows.

#### 1. *"Shocks" do occur in retirement*

The study found that "shock" events had a material impact on many retirees. These are defined as events that occur in retirement that could derail or complicate a retiree's financial status. The survey found that more than one in three survey respondents experienced financial shocks that depleted at least 25 percent of their assets. In addition, it found that more than one in 10 retirees said they needed to reduce their spending by 50 percent or more as a result of shocks.

The most common types of shocks that retirees identified included the following:

- Home repairs—Many respondents described these as unexpected.

- Health care shocks—These included the following:

- *Dental expenses*—Most retirees do not have dental insurance, and dental costs are not covered by Medicare, so retirees must pay out-of-pocket for this care.
- *Prescription drug costs*—These become an especially pronounced shock if the retiree has not elected to take Medicare Part D, which provides insurance for many prescriptions.

Note: The study found that insurance programs covering the health of longer-term retirees were working well from the individuals' perspectives, with Medicare and Medicare supplement plans covering most health care costs. This was so even though major health events may cause changes in capability and activity. Participants did note, however, that when Medicare Parts B and D plus Medicare supplement plans are considered together, medical premium costs can be surprisingly substantial.

- Divorce after retirement—This can be a much greater problem than widowhood since, at the time of divorce, assets are generally split.

#### 2. *Retirement experience doesn't always follow a person's original retirement plans.*

The focus groups and interviews in 2015 found that individuals who have been retired for 15 years or more proved to be very resilient and adaptable to changes from their original retirement plans, as were shorter-term retirees. Note: These observations cannot be extrapolated to significantly older retirees, such as those in their 90s.

#### 3. *Those currently receiving paid long-term care experience significant impact.*

The survey and in-depth interviews with caregivers found that, when a person has a significant need for paid long-term-care services, this is a major problem. That was the case across all economic ranges covered by the focus groups and the interviews. The focus groups and interviews were composed of individuals with targeted assets and resources as defined earlier.

#### 4. *Parents' experience in retirement does influence their children's view of retirement risk.*

## INTRODUCTION AND BACKGROUND

The survey found that parents' experiences have a moderate influence on how people perceive retirement risks and planning for those risks. Most pre-retirees and retirees reported a positive view of their parents' financial circumstances in retirement. Nevertheless, many reported increased concern about their own financial security in retirement as a result of their parents' experiences (46 percent of pre-retirees and 42 percent of retirees).

### 5. *Income levels make a difference in perception of retirement concerns.*

The survey looked at retirement risk concerns of both retirees and pre-retirees by income levels. As might be expected, lower income retirees were much more likely to voice concern about risks and to use different strategies to manage risks. (See pages 29 for further discussion of these findings.)

## Retirement Planning Reality Is Reactive

The professed goal of retirement professionals is that individuals should construct a well-organized plan for retirement to create retirement income that replaces a significant portion of pre-retirement income. However, the retirement reality revealed in the research is that the "planning" occurs in a more ad hoc way in which individuals make financial decisions in reacting to what happens in their lives. For example:

- *Maintain principal:* Many individuals said they seek to maintain principal rather than craft a strategy to gradually draw down their assets. For many, the Required Minimum Distributions from their IRAs and other qualified retirement plans, which start after age 70½, define their income. The retirees said they seek to limit any additional withdrawals from their retirement savings. Some said they would prefer not to have to take these required distributions.
- *Adjust spending to investment returns:* When investment returns change the value of qualified retirement accounts, this change affects the amount of Required Minimum Distributions that retirees must take annually from those accounts. The surveyed individuals indicated they are willing to adjust their spending in response to such changes,

particularly if they would otherwise need to spend down retirement account assets at a higher rate than planned. In general, retirees prefer adjusting spending than increasing spend-down, even if the adjustment is substantial. For some retirees, not spending down assets appeared to be a much higher priority than maintaining living standards. Overall, both short- and longer-term retirees showed similar flexibility and resiliency toward making needed changes in spending.

The above themes came up repeatedly in the focus groups. The retirees simply deal with changes to their financial situation as they happen. This was true for a variety of unexpected retirement events. Only two potential situations emerged as possible causes for taking a more painful approach; these were transitioning to long-term care and experiencing divorce in retirement. A separate report will explore these and other financial shocks in more depth.

**Retirement adequacy measures.** One significant conclusion from the focus groups was that many longer-term retirees were doing better than the project team had expected, based on conventional adequacy measures.

The retirement adequacy results appear to vary depending on which research measurement is used. For instance, some measurements show predictions of very large numbers of people who will have inadequate resources for retirement. Yet the SOA focus group research found that many retirees are able to make substantial adjustments in when and how they spend their retirement resources. This variance raises questions about what is the appropriate measure of adequacy for the future. Further research is needed to understand more about these issues.

# Retirement Risk: Findings on Top Concerns

## FINDINGS ON CONCERNS

A major takeaway from the 2015 study is that paying for long-term care, dealing with inflation and paying for health care are the top-ranked retirement-related concerns for both pre-retirees and retirees.

In addition, pre-retirees were more likely than retirees to express concerns about many of the retirement risks listed in the survey. These include paying for long-term care, a concern for 69 percent of pre-retirees but for only 58 percent of retirees, and inflation, a concern for 69 percent of pre-retirees but only for 52 percent of retirees. Similarly, paying for health care was a concern for 67 percent of pre-retirees versus just 47 of retirees; maintaining a reasonable standard of living for 63 percent versus 45 percent; and depleting savings for 62 percent versus 43 percent.

The hierarchy of concerns found in this survey is similar to that found in previous iterations of the study.

## DISCUSSION

While current conditions may move the level of risk concerns up or down a little from previous SOA studies, pre-retirees have consistently been more concerned than retirees about most concerns throughout the studies, including concerns about health care, long-term care and inflation. This suggests that these issues, and the concerns that people have developed around them, have not abated and therefore need continuing attention from the retirement industry.

The SOA project team noticed that the respondents in the 2015 survey did not focus much on fraud as a concern. This is despite the widely reported proliferation of more and more sophisticated scams, many of them targeting seniors, including retirees. However, there was one change of note. This is that retirees and retired widows voiced more concern about fraud than did pre-retirees. This shift may signal that awareness among retirees about their vulnerability to fraud is rising compared to those who are not retired.

In addition, the project team noted that significant differences exist in the level of overall financial concern when respondents are evaluated by income. Lower income retirees and pre-retirees generally show a higher level of concern. (See the variation by income discussion on pages 29.)

## FOCUS GROUP QUOTES

- ***“I mean, who is going to go first—my money or me?”*** —Female, Baltimore, MD
- ***“Long-term care insurance, which I’ve had for many years for my husband and myself, has gone up so much recently that it scares me.”*** —Female, Baltimore, MD
- ***“My medical keeps going up and up and up. I get a deferred pension, but they keep taking more and more out each year out of my pension for medical. Right now it’s like \$400 or \$500 a month out of my pension.”*** —Male, Dallas, TX
- ***“The taxes are going up. When you have to take the required minimum distribution, it puts you in a significantly higher tax bracket.”*** —Male, Baltimore, MD

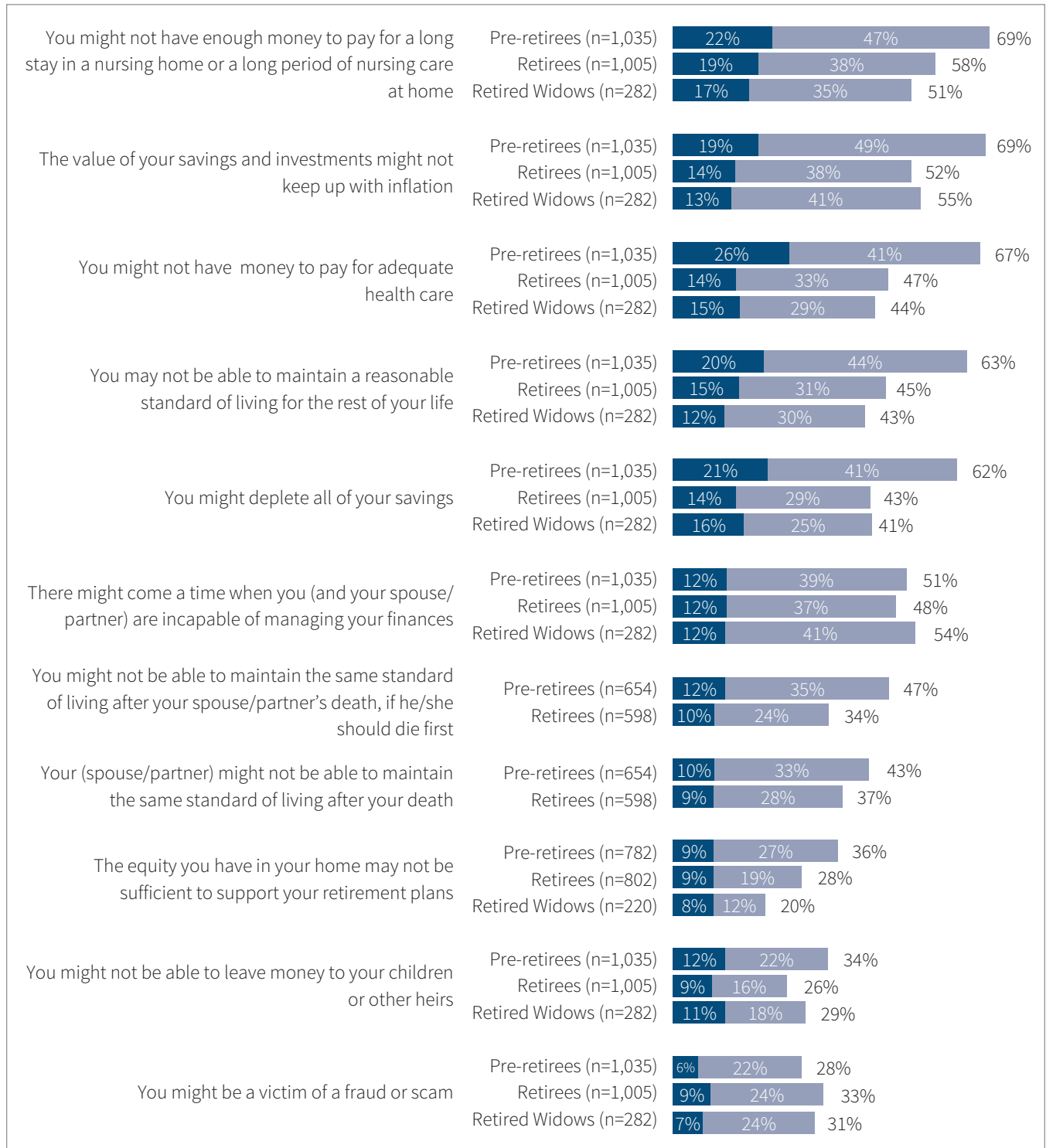


## RETIREMENT RISK: FINDINGS ON TOP CONCERNS

### THE SURVEY QUESTION:

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

Very Concerned    Somewhat Concerned







# 1 Shock Events and Expenses

## FINDINGS ON SHOCKS

The majority of retirees (72 percent) reported having encountered at least one shock or unexpected expense so far during their retirement. These expenses range from those associated with death of a spouse or divorce to major home repairs, family emergencies and medical and dental expenses.

While almost three in 10 retirees (28 percent) reported experiencing no shocks or unexpected expenses, 13 percent said they encountered three and 19 percent encountered four or more of these types of shocks in retirement. One-quarter of retired widows (24 percent) indicated they have encountered four or more.

## DISCUSSION

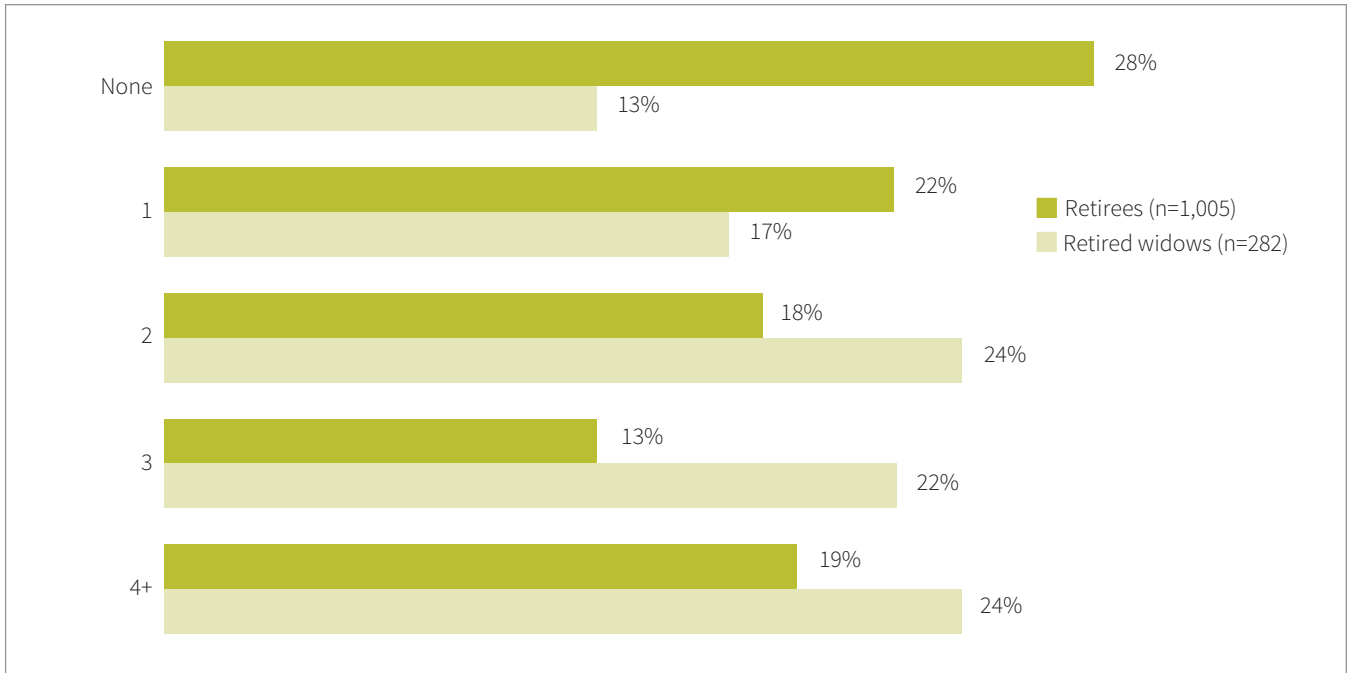
This is the first SOA risk survey that specifically studied financial shocks. Overall, the data showed that retirees seem to adjust quite well to most shocks. The situation is much more difficult, however, for people who have experienced multiple shocks and for people having lower incomes. The shocks that tend to be most devastating are a major long-term-care event requiring paid care and divorce after retirement. Note: A separate SOA special topics report will provide much more detail on shocks, including ranking by severity as well as comments from various individuals on the impact of shocks.

## FOCUS GROUP QUOTES

- ***“I’ve had—our house upkeep, furnace, driveway. In the last month, I have spent \$2,500 on one expense, \$3,600 on another expense. That’s in one month. A couple of years ago, my roof went and my furnace went. Everything.”***  
—Female, Chicago, IL
- ***“My daughter lives alone ... She was on her way to a teacher’s meeting and she crossed the street and was hit by a car. Since then she has MS and they did not pay anything. We got nothing and now she has no job ... it’s very expensive.”***  
—Female, Baltimore, MD
- ***“In 2013 I got colon cancer ... The medical cost and stuff like that was unreal. I’ve had to spend ... \$3,900 had to come out right off the top.”***—Male, Dallas, TX
- ***“The biggest thing, about 18 years ago, I had a lot of shares of Citigroup, and they were paying like \$17,000 a year dividends. That went down to \$30.”***—Male, Baltimore, MD

**THE SURVEY QUESTION:**

How many shocks have retirees experienced so far in retirement?



The large majority of retirees who have had to reduce their spending as a result of shocks indicate they have learned to manage at least somewhat well within their new financial constraints. The following chart illustrates this adjustment by household income.

**Ability to Manage within New Constraints, by Household Income**

	Retirees		
	<\$35k (n=215) (a)	\$35k–74k (n=141) (b)	\$75k+ (n=76) (c)
Very well	12%	19%	29% <sup>a</sup>
Somewhat well	50	67 <sup>a</sup>	64
Not too well	31 <sup>bc</sup>	15	7
Not at all well	7 <sup>b</sup>	0	0

*Note on differences by population subgroup:* Letters in superscript indicate meaningful differences between subgroups. For example, a number with the superscript “a” indicates that number is meaningfully higher than the corresponding number in column (a). Comparisons are not made between pre-retiree subgroups and retiree subgroups.



## 2 Parents' Experience with Retirement

### FINDINGS ON PARENT EXPERIENCE

For some people, their parents' experience of retirement has made them more concerned about their own. For example, nearly half (46 percent of pre-retirees and 42 percent of retirees) reported that their parents' experiences have made them more concerned. The large majority of these individuals (84 percent of pre-retirees and 78 percent of retirees) also reported that those experiences have impacted their own preparations for retirement either a great deal or some.

Only a few (10 percent of pre-retirees and 8 percent of retirees) indicated their parents' experiences have left them less concerned.

Among the others, 44 percent of pre-retirees and half (50 percent) of retirees said their parents' experiences in retirement have not affected their own concern about their financial security in retirement.

### DISCUSSION

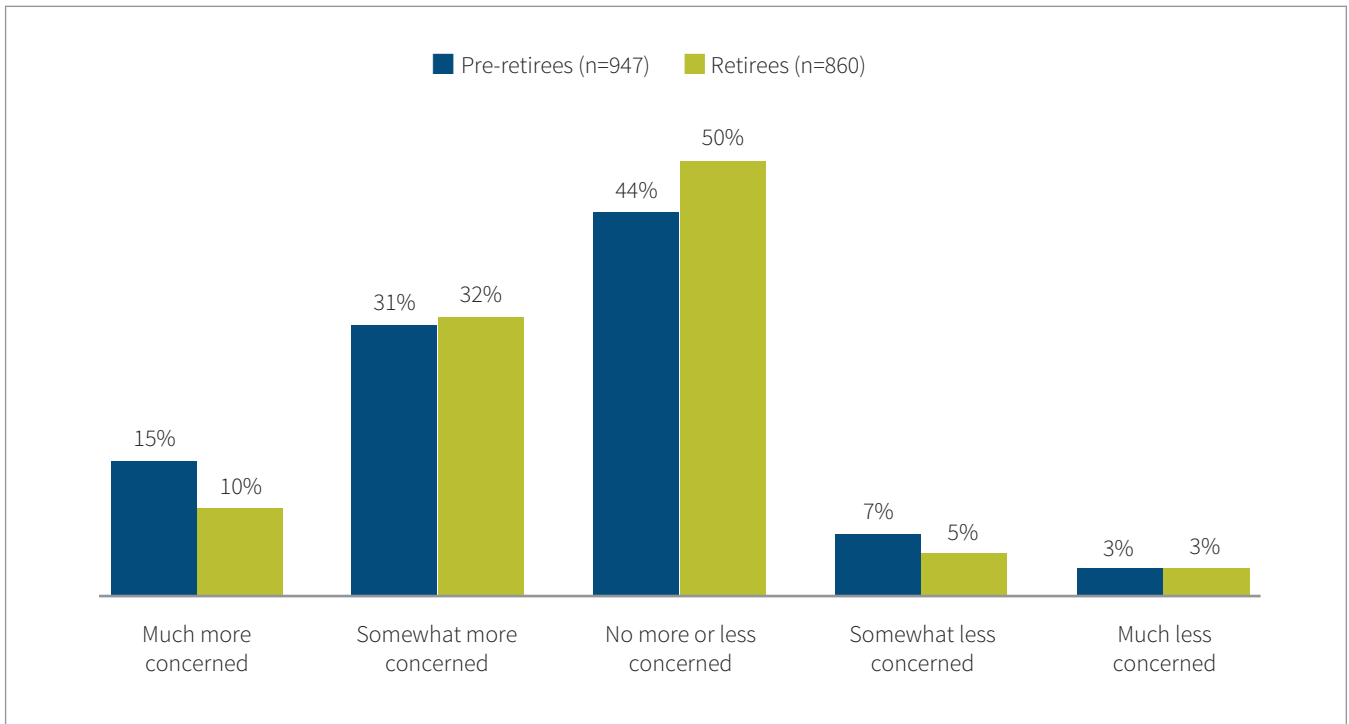
This is the first SOA risk survey to look at perceptions about parents' experiences and how these influenced their children's risk concerns and planning. The overall finding is that about half of the respondents indicated that their parents' experiences had influenced their concerns. This provides important insight into the influences that affect how people think about financial risk and longer term decisions. In view of the major gaps that have been found in financial literacy and analytical approaches to planning, this understanding may help the retirement industry better address retirement education.

### FOCUS GROUP QUOTES

- ***"A few years back like when my dad retired, he didn't have any retirement. He had Social Security and that was it ... And that wasn't anything for me to look back to and say, well, that's what I want in my life. I better get busy right now."***  
—Male, Dallas, TX
- ***"My mother saved her money. I mean, she nickeled and dimed her way. She had left money for my sister and I that we really didn't need that she could have used."***—Female, Dallas, TX
- ***"I watched my mother in extended care and I got lots of bills. It was the worst three years I've ever been through in my life and the money, jeepers. They're going to sock it to you if you've got it. They're going to take it to help with the guy who hasn't got it. You're in the same room. You can't buy anything once you get to that point."***—Female, Edmonton, AB
- ***"My father passed away fairly early, but my mom retired and the one thing that we learned from her and from my husband's parents is pay everything off and whatever you buy, buy it with cash and that way you don't owe anything. It was just like your utilities."***—Female, Dallas, TX

### THE SURVEY QUESTION

On the whole do you think your parents' experiences made you more or less concerned about your financial security in retirement?



## 3 Death of a Spouse

### FINDINGS ON DEATH OF SPOUSE

Among those who are married, both pre-retirees and retirees said they believe the death of one spouse would have little effect on the financial situation of the survivor. However, four in 10 married pre-retirees think their spouse would be better off financially if they were to pre-decease their spouse. Few (fewer than two in 10 each) think the survivor would be worse off.

### DISCUSSION

These findings are similar to the findings of the risk survey conducted in 2007. Social Security household income is reduced when one spouse dies. However, unless both worked and had equal benefits, the reduction should be less than 50 percent. Pension income may be reduced or stopped depending on the specific situation. Other income also may be reduced or stopped after the first death.

If assets are left to the surviving spouse, the same assets will be available to one person rather than two people. This is very different from a divorce situation where there is likely to be a larger reduction in income and assets are generally divided in varying ratios among the parties.

For many households, the economic status of the survivor is not as good as it was before death, but in others it is improved. Many households do not have a good understanding of this potential change.

Also, if there was a long period of illness prior to the first death, and if the survivor was a caregiver, this is often a major strain. Further, the survivor may be left with fewer financial resources if assets were spent down to care for the person who was ill. The researchers think that many people are underestimating the impact of the death of one spouse on the survivor. Research shows that people are not doing a careful analysis of their longer term financial situation and of the impact of a death of a spouse, which will differ for each family.

The 2015 focus groups included some individuals who had experienced marital change since retirement. These groups seemed to be doing just as well as the other groups.

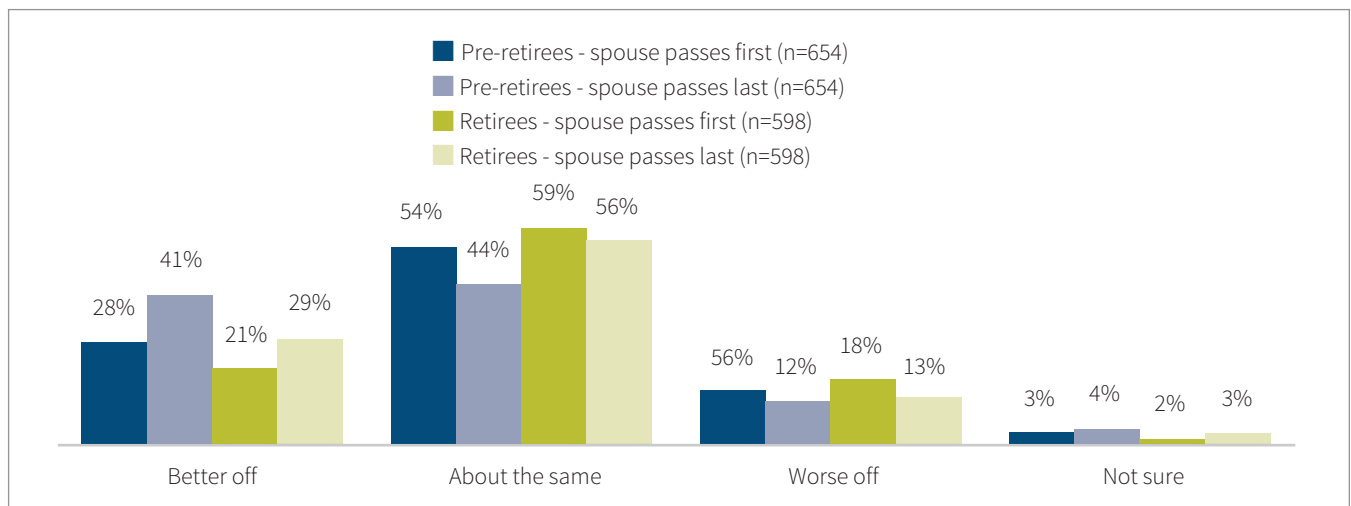
The situation may be quite different in second marriage households. While the spouse will usually retain the assets after the death of the first spouse, this is much less certain after the first spouse dies in a blended family. Children often do help the surviving parent after the death of one parent, but it is not known how children of a prior spouse will react when their parent dies and a nonparent spouse is left, and whether those children are as likely to provide help. The blended family situation needs more analysis and was not specifically considered in this study.

## FOCUS GROUP QUOTES

- **“Financially, it made half of the pension come in. With Social Security, he was making maximum and I had \$800 a month. When he died, they put it together and I get the max. So I lost on Social Security, and I lost half of his pension. So yeah, that made a difference. I didn't starve to death, but it did make a dent.”** —Female, Chicago, IL
- **“Thank goodness my husband worked for almost 34 years at a job and he has a nice pension coming in. I worry now if something would happen to my husband, because I’m living basically on his retirement funds.”** —Female, Baltimore, MD
- **“If she [wife] passed away today, I would be up the creek without a paddle, but I know we’ve got a \$2,500 drainage problem that is being fixed today, yesterday and today and she got out the check book, so we must have enough money to pay for it. I have no idea how much money we’ve got. I don’t know where it is.”** —Male, Dallas, TX
- **“He [husband] didn't make high-paying jobs. But he worked jobs that all had pensions, and when he died, unfortunately he didn't live long enough to spend it and enjoy it. When he passed away, I continued to get them, and now there is one person instead of two.”** —Female, Chicago, IL

## THE SURVEY QUESTION:

If you were to pass away before your (spouse/partner), do you think it would leave your (spouse/partner) financially better off, about the same, or worse off? (If married/living with partner), and If your (spouse/partner) were to pass away before you (in retirement), do you think it would leave you financially better off, about the same, or worse off? (If married/living with partner)





## 4 Running Out of Money

### FINDINGS ON OUTLIVING MONEY

The 2015 survey found that almost all pre-retirees and retirees are likely to try reducing expenditures before turning to other strategies if they are at risk of running out of money due to unforeseen circumstances in retirement. Nearly 90 percent of both groups (88 percent of pre-retirees and 85 percent of retirees) said they would likely reduce expenditures significantly.

How they do this is more varied, however. For instance, relative to reducing spending, both pre-retirees and retirees indicated they are less likely to downsize their housing (65 percent and 55 percent) or use home equity to help fund their remaining retirement years (51 percent and 44 percent). But as for getting assistance from various sources, such as family, friends or community agencies, the data show this is among the least likely sources for emergency money.

Retired widows (not shown in the chart below) were more likely than other retirees to say they are likely to turn to their children or other family members for assistance (35 percent versus 23 percent).

### DISCUSSION

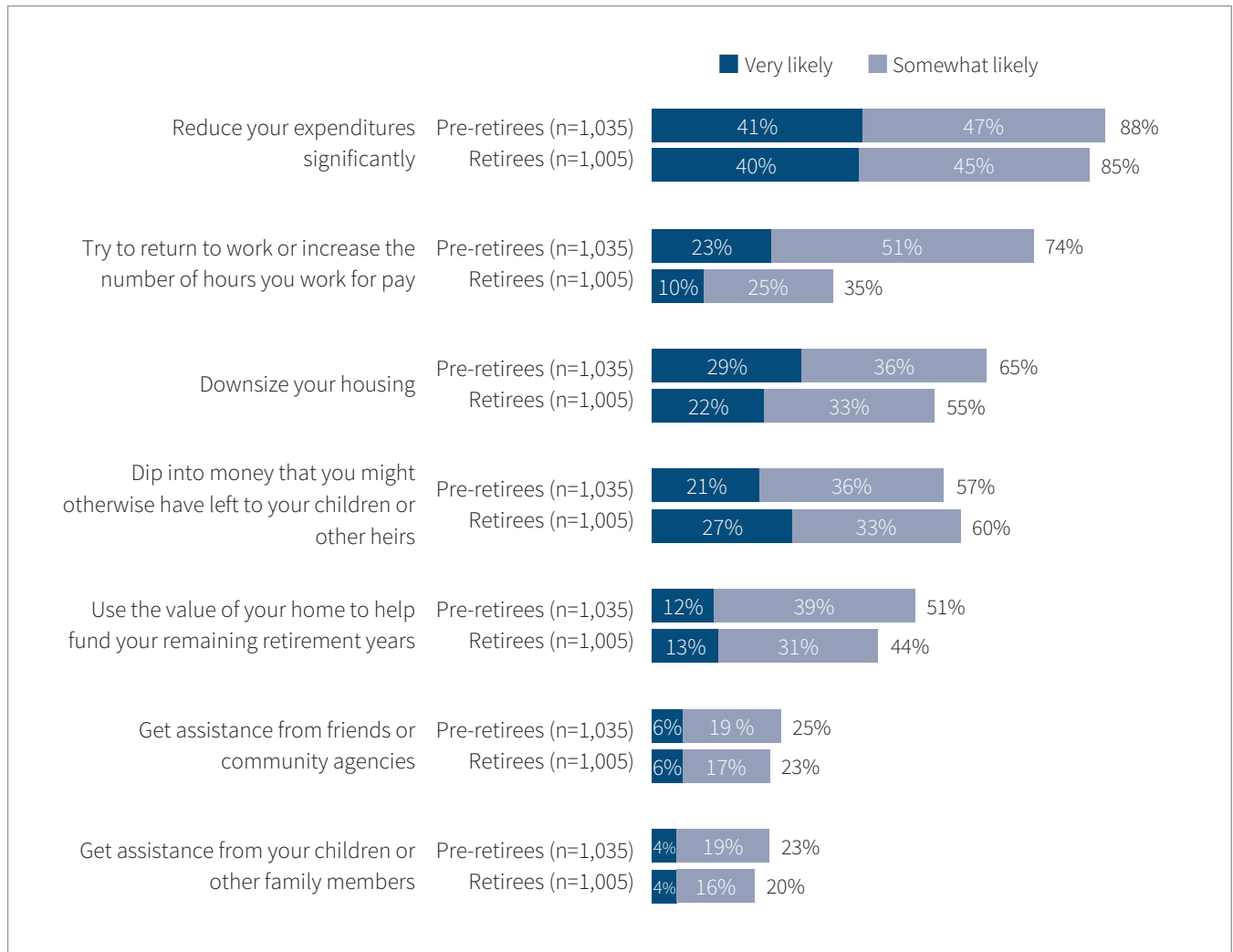
The strategies likely to be employed in the event of running out of money are generally consistent with overall risk management strategies, including reducing spending, downsizing and dipping into funds that were intended to be left to others. Housing equity is a possible source of funds but not a preferred choice. Many retirees, however, try to stay in their homes and view dipping into home equity values as a last resort. The strategies employed are very different by income level.

### FOCUS GROUP QUOTES

- ***“I think if I had to take money out of my home in order to live, I would sell my home and get something smaller, which I should do anyway.”*** —Female, Chicago, IL
- ***“[Your home is] that last resort. You always hear about the people that lost to foreclosure. You don’t risk your home.”*** —Male, Dallas, TX
- ***“Our daughter, she said she will build us a place in the backyard. I don’t want to live in her backyard.”*** —Male, Dallas, TX
- ***“Would you want to go in and live with your children and have them take care of you? My children probably would and I would hate for them to do that.”*** —Female, Dallas, TX

**THE SURVEY QUESTION:**

If you (and your spouse/partner) were running out of money (in retirement) due to unforeseen circumstances, how likely do you think you would be to do each of the following?



## 5 Short Planning Horizons

### FINDINGS ON PLANNING HORIZONS

Both pre-retirees and retirees said they typically look 10 years (median) into the future when making important financial decisions. But almost three in 10 (28 percent of pre-retirees and 29 percent of retirees) reported that they have not thought about their planning horizon. In addition, one in 10 (10 percent of pre-retirees and 11 percent of retirees) said they do not plan ahead at all.

### DISCUSSION

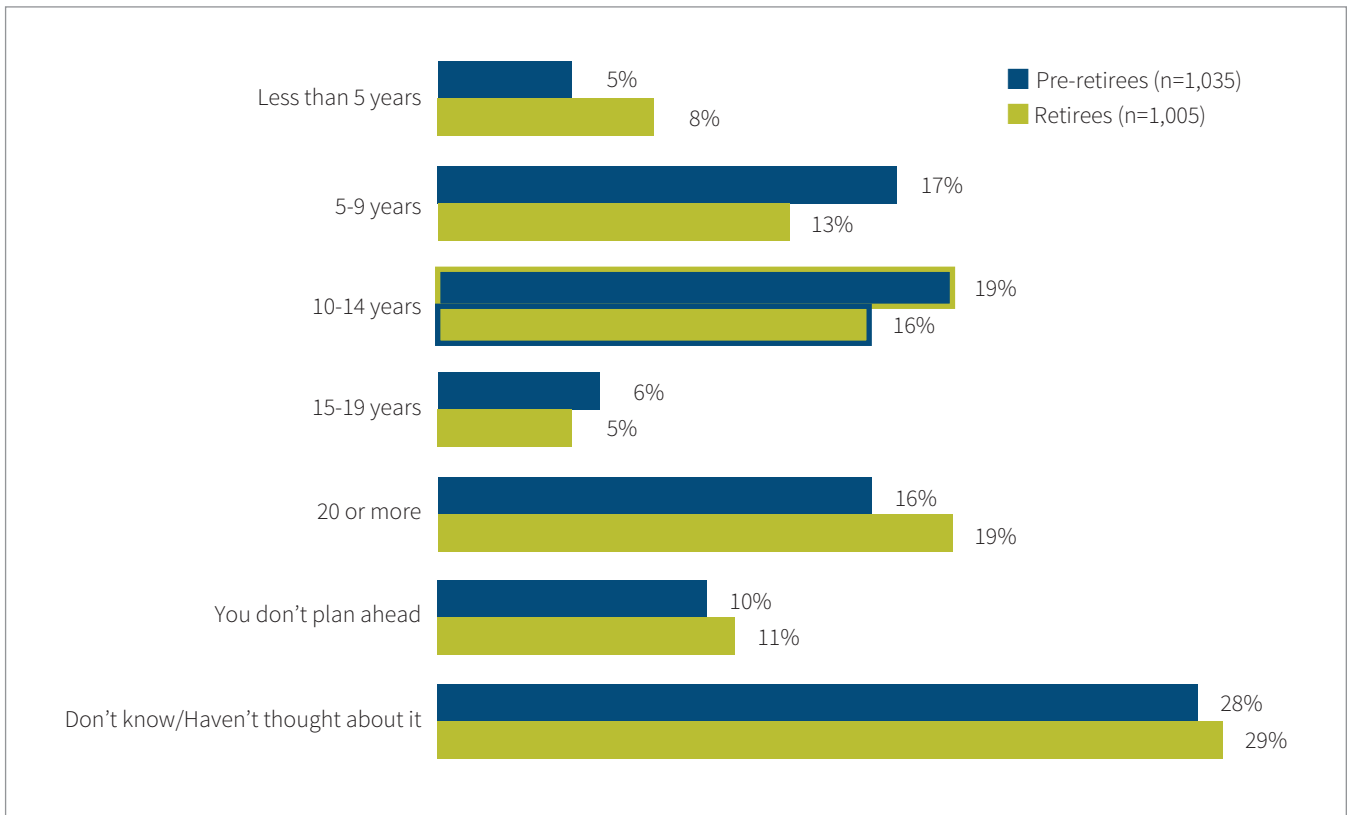
These results are generally consistent with prior studies. The 40 percent who do not plan or have not thought about it are particularly vulnerable. The relatively short planning horizon also remains a concern. However, when we consider them together with the asset management strategy of trying to hold onto assets, the concerns moderate somewhat. While an asset retention strategy in and of itself is not a complete financial plan, it is a way of attempting to provide for the longer term.

### FOCUS GROUP QUOTES

- ***“That’s one of the reasons why you have a sudden expense that all you can do is take it out of the asset, because what’s your choice? I would like to build it back up, but about the only way that there is to build it back up is to, I don’t know, go do an opinion survey or something.”***—Male, Dallas, TX
- ***“Make adjustments according to the changes as they go.”***—Female, Kitchener, ON
- ***“I should say when I retired I felt that I had enough, but then I got into a situation, a very unwise one with my money and that took away my security.”***—Female, Chicago, IL
- ***“I am pretty frugal and we pretty much live off my checks that I am still getting from working.”***  
—Female, Chicago, IL

**THE SURVEY QUESTION:**

When you (and your spouse/partner) make important financial decisions (such as whether you can afford to retire or to purchase a new home/such as your retirement finances or a large purchase), about how many years do you look into the future?



## 6 Risk-Pooling Strategies

### FINDINGS ON RISK-POOLING

Few pre-retirees and retirees use risk-pooling strategies to manage retirement risks. Consistent with previous iterations of this survey, both groups surveyed in 2015 tended to focus on saving and spending strategies to manage the risks associated with retirement.

For example, almost all pre-retirees (90 percent) and most retirees (74 percent) said they have already tried or plan to try to save as much money as they can. Close to nine in 10 pre-retirees (88 percent) and retirees (86 percent) said they have already eliminated or plan to eliminate all of their consumer debt. Further, eight in 10 pre-retirees (81 percent) and three-quarters of retirees (76 percent) said they already have, or are planning to, cut back on spending.

Pre-retirees and retirees are much less likely to turn to risk-pooling strategies to manage retirement risks (other than health insurance). Half of pre-retirees (50 percent) and one-fifth of retirees (20 percent) indicate they plan to or have already postponed taking Social Security. One-third of pre-retirees (33 percent) and almost one-quarter of retirees (22 percent) reported they had purchased, or are planning to purchase, an annuity or choose an annuity option from an employer plan.

### DISCUSSION

The SOA surveys have found a great deal of consistency in the risk management strategies that pre-retirees and retirees have reported over time. Except for health care insurance, financial products are not that popular. The biggest focus is on reducing spending. The focus groups support that, with the participants indicating a willingness to make major reductions in spending.

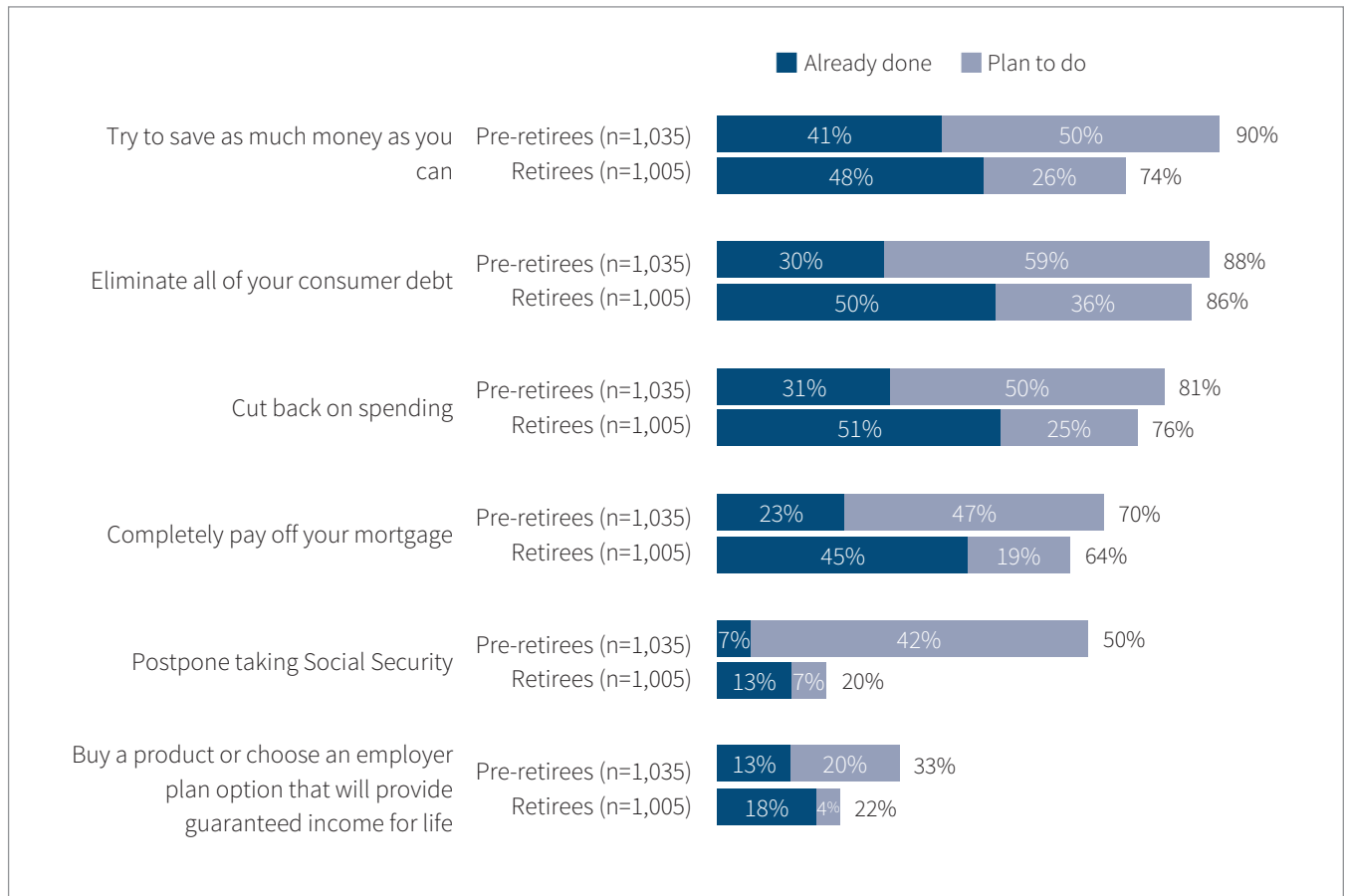
Risk management strategies should also be considered in tandem with asset management strategies. Many retirees seek to hold on to their assets rather than spend them down. Holding onto assets can be considered a risk management strategy since those assets remain available for emergencies.

### FOCUS GROUP QUOTES

- ***“We once had a financial advisor that did a spreadsheet and said that the money will last you till this age. I said what happens after? Do I become a bag lady? He said, ‘Well, you’ve got to save more.’ So we did save. I am a saver.”*** —Female, Chicago, IL
- ***“When I was working and making a considerable amount of money every year, if I needed something, I would go buy it. I will tell you something, my wife and I have made shopping and coupon clipping, of course using the Internet, a hobby.”*** —Male, Baltimore, MD
- ***“I don’t think we were smart enough to look down that road. I know I wasn’t, you know? Things had gone well after that point and you just assume another month, another month.”*** —Female, Chicago, IL
- ***“You can do a lot of things that don’t cost money, so you have to just spend more time on research and look for the specials in the stores. You can still eat well, just not as much.”*** —Female, Edmonton, AB

**THE SURVEY QUESTION:**

Have you (and your spouse/partner) done the following to protect yourselves financially, plan to do it in the future, or have no plans to do it?



## 7 Inflation

### FINDINGS ON INFLATION

Most of those surveyed in 2015 said they think inflation will have a great deal or some effect on their money needs in retirement. For instance, three-quarters of pre-retirees (76 percent) and two-thirds of retirees (66 percent) said they think inflation will affect the amount of money they need each year in retirement at least somewhat.

But some were less concerned about the effect of inflation on their spending power in retirement: Almost two in 10 pre-retirees (19 percent) and three in 10 retirees (29 percent) said inflation will affect them only a little or not at all.

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### DISCUSSION

Under government rules, Social Security benefits increase based on increases in the general cost-of-living. However, retirees are subject to cost increases in certain categories of spending that the general cost-of-living indexes may not emphasize. Premiums for Medicare Part B and D and for Medicare supplement insurance plans also increase regularly. For private sector individuals in the United States, Social Security is usually the only income that increases with inflation.

In view of that, and despite recent relatively low total inflation, retirees have consistently expressed a concern about inflation. This concern has been kept alive for pre-retirees and retirees by several health-related trends. One is that health care costs have increased more than overall consumer prices. Another is that, for retirees who have employer-sponsored retiree health coverage, many employers have been increasing the share of the insurance cost they expect retirees to pay. In addition, long-term-care insurance premiums have increased by a very large amount.

These concerns do not apply to all. Prices and inflation affect individual pre- and post-retirees differently depending on their situations. For example, a retiree who owns a home and is not selling it is not affected by changes in housing prices. And although all are affected by food and energy costs, the impact is different for different people.

In general, however, inflation—especially rising inflation—tends to be a bigger concern for lower income retirees than for upper income retirees. But even those who hold interest-bearing bank deposits and certain investments are affected by inflation because, to the extent that low inflation means low interest rates, the income of such retirees is reduced by inflation.

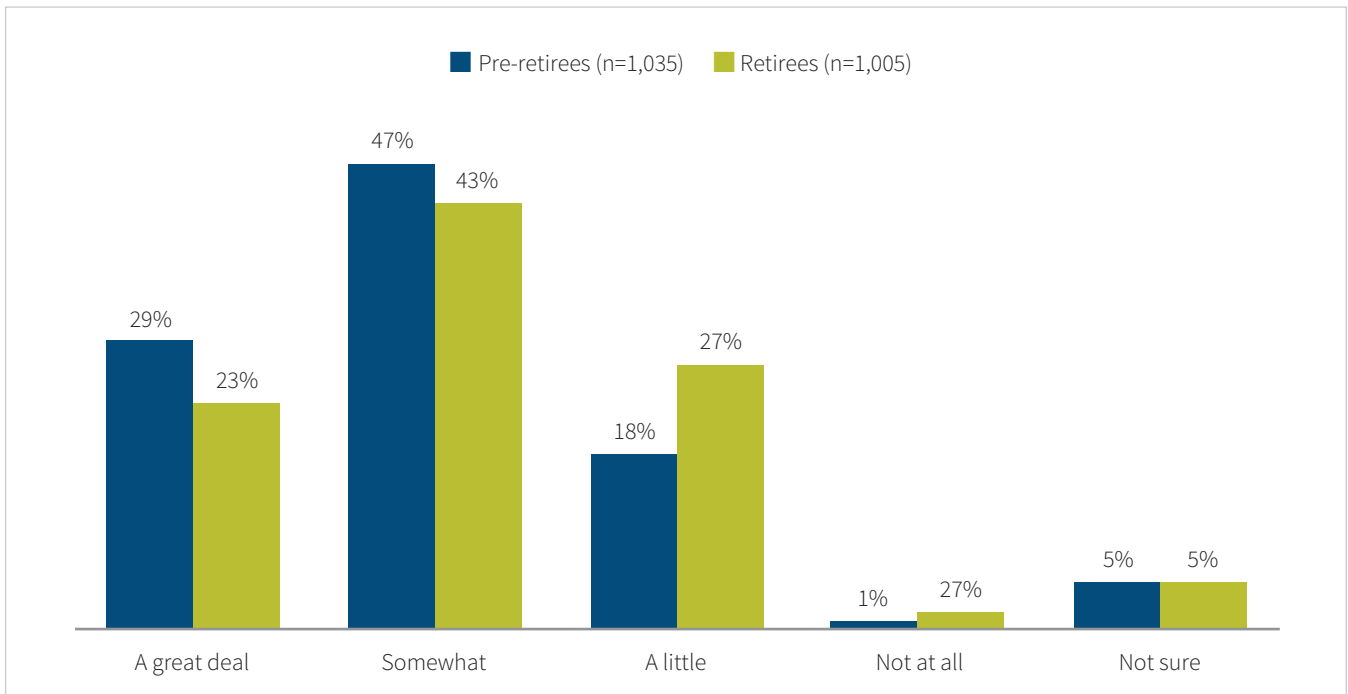


### FOCUS GROUP QUOTES

- *“The cost of things. The rising cost of everything. I rent and everything is going up, up, up in Alberta. That’s because of the oil but now the oil is down but none of the other things are down with it. Rent doesn’t go down. That’s one of my main concerns.”* —Female, Edmonton, AB
- *“I have Social Security and [a] pension, but [I] just worry about rising prices.”* —Male, Dallas, TX
- *“The rising cost of everything and the small increases we get in any of our pensions or investments. The spread keeps getting bigger and bigger.”* —Female, Edmonton, AB
- *“My pension doesn’t increase by half of the rate of inflation anymore. They just wiped that out.”*  
—Male, Kitchener, ON

### THE SURVEY QUESTION:

Over the course of your retirement, how much do you think inflation will affect the amount of money you will need each year in retirement?



## 8 Use of Financial Advice

### FINDINGS ON FINANCIAL ADVICE

A key finding in 2015 is that half of pre-retirees and retirees said they do not consult with a professional financial planner or advisor. About one in 10 indicated they consult a financial professional less than once a year.

However, that's not the total picture. About one-fifth (15 percent of pre-retirees and 20 percent of retirees) reported that they have consulted with a professional financial planner or advisor at least once a year for help with decisions about retirement and financial planning. Another 23 percent said they do so as needed.

### DISCUSSION

It is well known that there are major gaps in retirement knowledge and financial literacy. Meanwhile, the combination of increasing longevity and the shift to defined contribution plans makes it more important for pre-retirees and retirees to be able to plan well.

Many pre-retirees likely have access to a planner or a planning process if their employer's benefit plan provided this service, and some can take advantage of the major growth in automated planning processes, which focus mostly on investment management.

However, the 2015 study found that very few respondents regularly consult a financial planner or advisor. In addition, the focus groups revealed that the experiences of those who do obtain professional services has varied, with some people getting a great deal of benefit and others feeling they were not helped or were left worse off as a result. Other research has produced similar results, including that conflicts of interest can also be a problem in some situations.

The type of advice and the specific advice needed varies by individual situations. A great deal of advice is focused on investment management and higher net worth individuals. But many middle-income people have a small amount of assets and are much more in need of advice about how much to save, when to claim Social Security, when they can afford to retire and how to manage post-retirement.

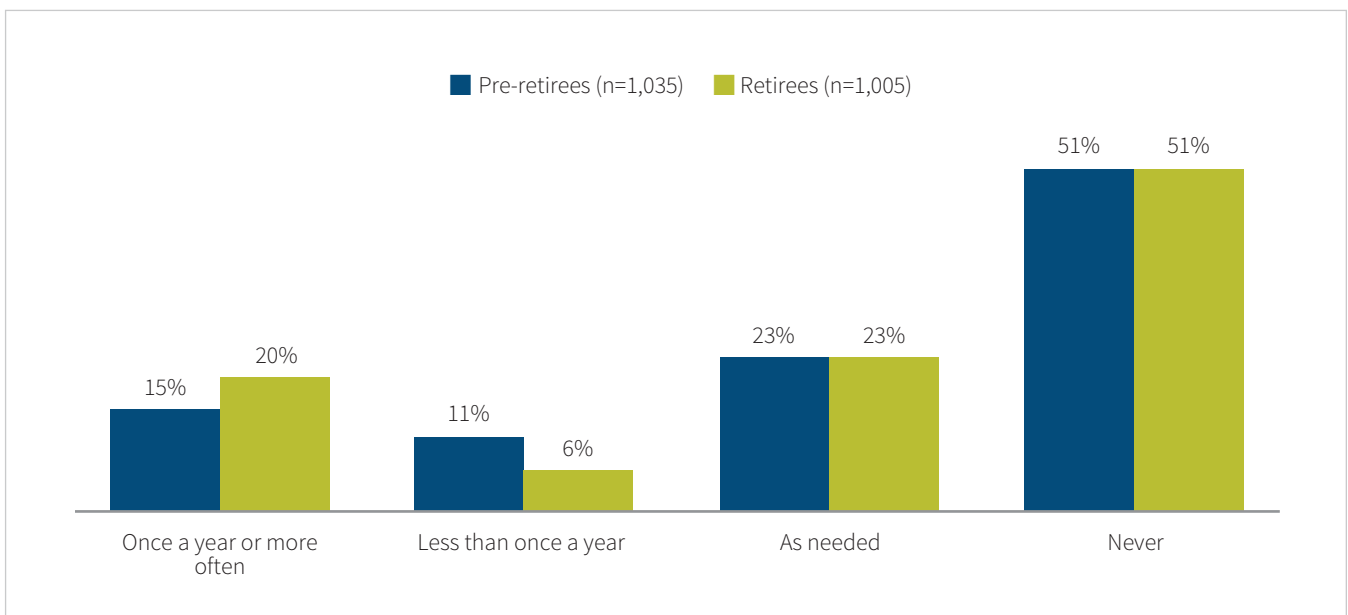
The advisors who are positioned to do a good job for higher net worth people are often not well positioned to help middle- and lower-income individuals. This becomes an issue since good advice must be paid for, but many middle- and lower-income individuals find it a challenge to fit this into their budgets. Hence, the use of advice varies greatly by economic status.

### FOCUS GROUP QUOTES

- ***“I had a good financial advisor and he reviewed our portfolio every year. Told us in advance, told us the pros and cons.”*** —Female, Kitchener, ON
- ***“I found out that I did a lot better off when I just turned it over to [the advisor] and stayed out of it.”***  
—Male, Dallas, TX
- ***“I give it to [my financial advisor] and he does what he does, and he has not lost any money that I have gotten wind of. He has worked very hard. Even when the economy tanked, he did very well for me.”*** —Female, Chicago, IL
- ***“I never had anyone who ever looked out for my interest, he [the financial advisor] just looked out for his own.”***  
—Female, Chicago, IL

### THE SURVEY QUESTION:

About how often do you (and your spouse/partner) consult with a professional financial planner or advisor who helps you make decisions about your (retirement/financial) planning?



## 9 Delayed Retirement

### FINDINGS ON DELAYED RETIREMENT

Many pre-retirees said they expect to delay retirement. In fact, they plan to retire at a considerably older age than current retirees actually retired. Although the typical retiree retires at age 60 (median actual retirement age), the 2015 survey found that pre-retirees generally expect to retire at age 65 (median expected retirement age).

Moreover, almost two in 10 pre-retirees said they plan to work at least until age 68, and 14 percent indicated they do not expect to retire at all.

However, both pre-retirees and retirees reported they would prefer to retire at about age 62 (median). This means that while retirees retired earlier than they preferred, pre-retirees are planning to work beyond their preferred retirement age. For many, this is at least five years longer than they would like.

### DISCUSSION

The differences in when people expect to retire versus when they actually retired have been significant and persistent over a number of years. The 2013 Focus Groups and Risk Survey focused heavily on decisions to retire and found that a great deal of voluntary retirement is actually a “pushed” retirement.

Big factors contributing to the push included unpleasant job environments, family needs and health problems. Resources needed during retirement are greater for earlier retirements due to a longer remaining lifespan and lack of potential to accumulate more assets while continuing to work.

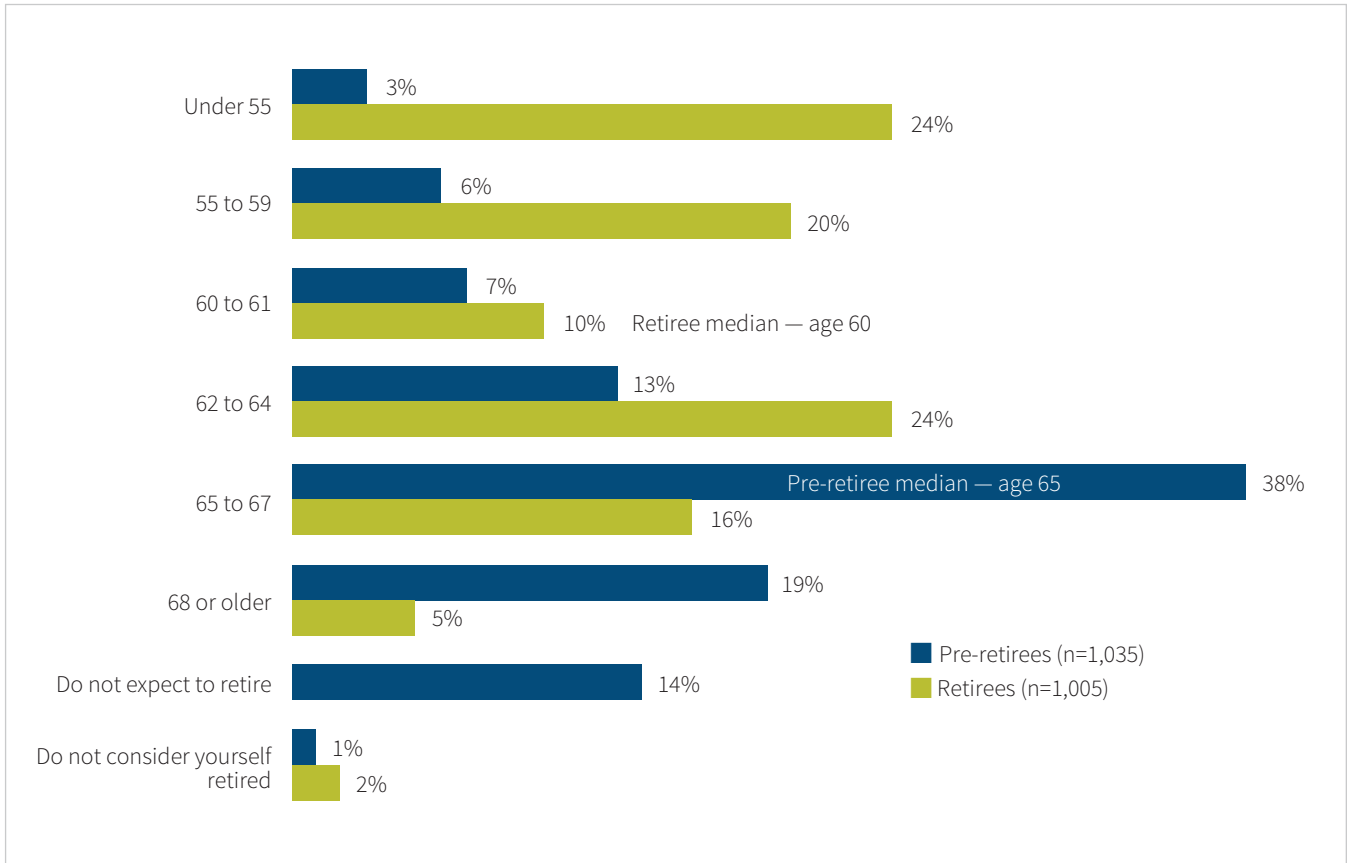
It is often difficult for older persons to get work, and if they can, it may not pay very much. This is also a concern with respect to planning. If people plan to retire later than they actually do retire, then their retirement plans probably will not work well.

### FOCUS GROUP QUOTES

- *“It was several years too early. I had planned to continue working.”*—Female, Chicago, IL
- *“We were in a big automobile accident and we had problems, you know ... you can’t teach a subject if your job is going from room to room and we had crutches.”*—Female, Chicago, IL
- *“I retired when my husband did. He was two years older than I, so I retired at 62 actually. I didn’t want him to be home alone. We wanted to do things together.”*—Female, Chicago, IL
- *“It was pretty well mandated at 65. I retired at 65 and I think the workforce was such that you felt intimidated. For those that stayed longer, it was like you were taking someone else’s position.”*—Female, Edmonton, AB

**THE SURVEY QUESTION:**

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



# 10 Continuing to Work

## FINDINGS ON CONTINUING TO WORK

Both pre-retirees and retirees indicated they typically postpone retirement for financial reasons. This is because they do not have enough money to retire, want to continue building their assets or want to keep employer-provided health benefits. However, pre-retirees were far more likely than retirees to select each of these reasons for working longer than preferred. The pre-retirees especially indicated they are planning to continue working for financial reasons.

## DISCUSSION

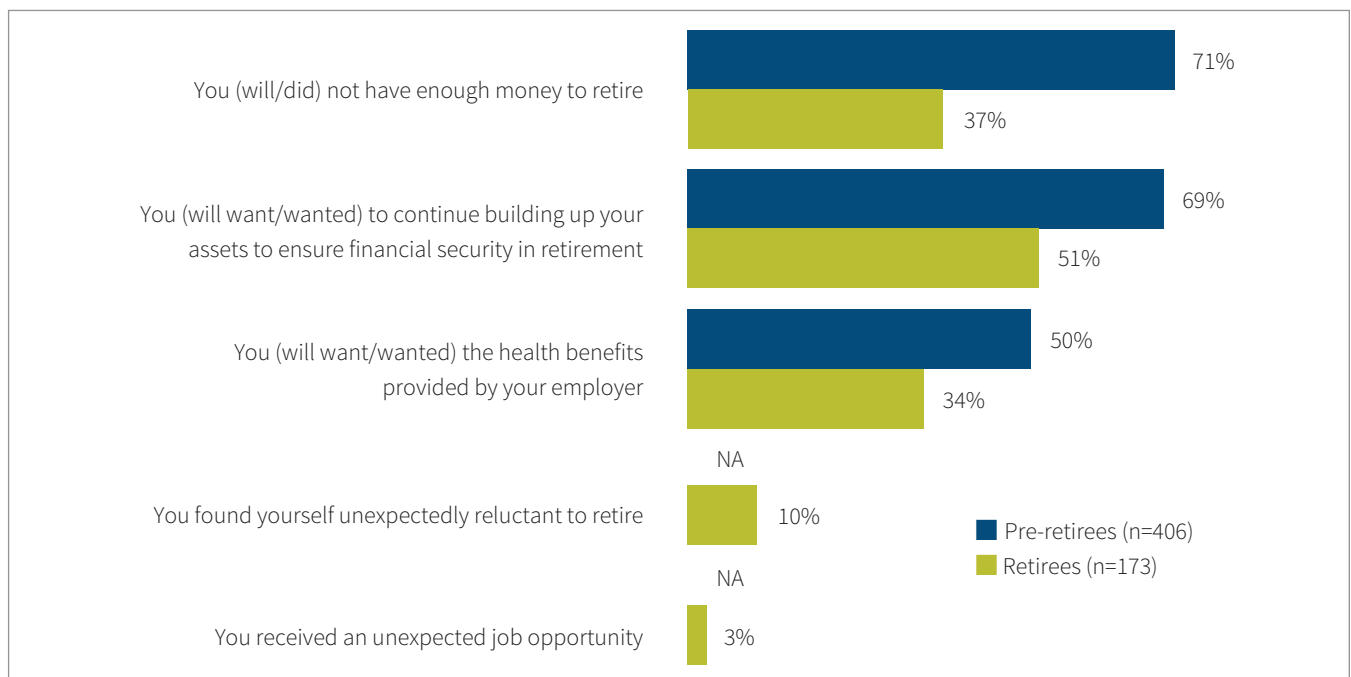
Retirement ages, timing and the ability to work in retirement continue to be major areas of concern. This question was answered by the less than 20 percent (173 out of 1,005) of retirees who indicated in their response that they had waited longer to retire. The responses of these 173 retirees provide insight into decisions by those who retired at a later age than they preferred. The need to acquire sufficient assets to retire appears to be the overriding motivator.

### FOCUS GROUP QUOTES

- ***“It (retirement) was several years too early. I had planned to continue working.”***—Female, Chicago, IL
- ***“I probably would not have retired when I did.”***—Female, Baltimore, MD
- ***“Our president reorganized the company Japanese style. But we were well taken care of. I was 60.”***  
—Male, Kitchener, ON
- ***“I got an offer that I couldn’t refuse.”***—Male, Kitchener, ON

### THE SURVEY QUESTION:

To what extent are each of the following major reasons why you (will wait longer than you would prefer/waited longer than you would have preferred) to retire? (if working longer than would like)



# Results by Income and Working Longer

## Closer Look: Differences in Income

It is pretty intuitive that perceptions of risk and how people deal with it would be influenced by their level of income. Those with less discretionary income, fewer assets and greater reliance on government programs need to face retirement with a different financial reality. This section of the report reviews how low-, middle- and high-income retirees and pre-retirees look at retirement risk and strategies.

### ANALYZING RESULTS BY INCOME

In this section, the low-, middle- and high-income classifications reflect annual income. For pre-retirees, this is their current income; for retirees this is their retirement income—the amount of money they live on from multiple sources including Social Security and retirement plans. While different classifications could be used, this analysis provides insights into the effect that income has on risk perceptions and management strategies.

	Pre-Retirees		Retirees	
	Income	Number	Income	Number
Low	< \$50,000	n=370	<\$35,000	n=375
Middle	\$50,000–\$99,999	n=361	\$35,000–\$74,999	n=366
High	\$100,000 or more	n=304	\$75,000 or more	n=264

For some of the analysis, the sample size is smaller. When that is the case, it has been noted in the discussion.

### MAJOR RISK CONCERNS

Across nearly all types of financial risks, the concerns of those with low income were heightened compared to those with high incomes. In many cases, those with middle income were also noticeably higher than those with high income. The table below shows the results by income level across a broad range of financial risks. The percentages represent those who indicated they were very or somewhat concerned.

Financial Risk/Income Level	Pre-Retirees			Retirees		
	Low	Middle	High	Low	Middle	High
Paying for a long stay in a nursing home/nursing care at home	76%	71%	60%	63%	63%	42%
Inflation eroding the value of savings/investments	75%	73%	59%	59%	54%	38%
Paying for adequate health care	75%	70%	57%	57%	47%	31%
Becoming incapable of managing own finances	60%	55%	40%	52%	46%	46%
Your spouse/partner maintains the same standard of living after your death <sup>1</sup>	61%	52%	28%	54%	42%	22%
Home equity does not support retirement plans <sup>2</sup>	50%	42%	23%	41%	28%	15%
Not leaving money to children or other heirs	41%	35%	26%	33%	23%	17%
Becoming a fraud or scam victim	36%	26%	23%	38%	32%	25%

1 Among those with spouse/partner: Pre-retiree: low (n=133), middle (n=256), high (n=265); Retiree: low (n=110), middle (n=263), high (n=225).

2 Among those who own a home: Pre-retiree: low (n=209), middle (n=293), high (n=280); Retiree: low (n=228), middle (n=326), high (n=248).



## RESULTS BY INCOME AND WORKING LONGER

### VIEWS ON INFLATION

The erosion of the purchasing power of retirement income is a concern for many, but especially those with lower income. In fact, for both pre-retirees and retirees, a low-income individual is twice as likely as a high-income individual to indicate that they expect inflation to affect them a great deal.

Percent that expect inflation to affect them a great deal			
	Low	Middle	High
Pre-retirees	38%	30%	19%
Retirees	31%	21%	13%

### STRATEGIES FOR MANAGING RISK

Just as concerns vary by risk level, so do strategies for managing risks. Three big strategies that were prevalent across the board, either planned (pre-retirees) or actually done (retirees), were (1) save as much as possible, (2) eliminate consumer debt and (3) cut back on spending. Of these three, eliminating all consumer debt was much more feasible for the middle- or high-income individuals, whereas cutting back on spending was a strategy relied on more heavily by low-income individuals.

	Pre-Retirees			Retirees		
	Low	Middle	High	Low	Middle	High
Try to save as much money as you can	86%	90%	95%	71%	79%	74%
Eliminate all of your consumer debt	79%	92%	93%	83%	89%	88%
Cut back on spending	86%	82%	77%	84%	76%	62%

For some of the analysis, the sample size is smaller. When that is the case, it has been noted in the discussion.

Beyond these three strategies for managing risks, high-income, and in some cases middle-income, individuals appeared to have more options available due to their circumstances. The following list illustrates with a comparison of the use/expected use among high-income individuals versus low-income individuals for both pre-retirees and retirees:

- **Paying off a mortgage:** Pre-retirees (81 percent vs. 54 percent) and retirees (75 percent vs. 48 percent)
- **Consulting a financial professional:** Pre-retirees (74 percent vs. 44 percent) and retirees (63 percent vs. 30 percent)
- **Postponing receipt of Social Security:** Pre-retirees (60 percent vs. 43 percent)
- **Investing in stocks or stock mutual funds:** Pre-retirees (75 percent vs. 41 percent) and retirees (76 percent vs. 30 percent)

By comparison, low-income individuals had fewer choices. The only additional strategies cited by at least half of low-income individuals were work in retirement (70 percent of pre-retirees), pay off the mortgage (54 percent of pre-retirees) or postpone retirement (53 percent of pre-retirees compared to only 40 percent of high-income pre-retirees).

## Closer Look: Working Longer<sup>1</sup>

Across all income levels, we saw that pre-retirees were more likely to say they will work longer than they preferred due to their financial situation. In addition, pre-retirees have higher expectations of working during retirement than retirees have experienced with work during retirement. Between income levels, the experience of pre-retirees and retirees was similar. What was different was the reason to work longer among those who said they would, or actually did, work longer than preferred.

Low-income individuals were significantly more likely to cite not having enough money than high-income individuals: pre-retirees were at 83 percent compared to 57 percent, while retirees were at 55 percent compared to 28 percent.

Among high-income individuals, a desire to build up assets was the most commonly cited reason (70 percent pre-retirees and 63 percent retirees). They cited the desire to continue employer-provided health care benefits as frequently as not having enough money.

### THE RUNNING OUT OF MONEY “WHAT IF”

When asked what strategies they would employ if they were to run out of money, respondents at all income levels said they were very or somewhat likely to significantly reduce their expenditures. In addition, many pre-retirees at all income levels said they would likely return to work or increase hours at work. Beyond that, this “what if” scenario uncovered the following major differences by income.

Low income vs. high income were more likely to:	High income vs. low income were more likely to:
<ul style="list-style-type: none"> <li>■ <b>Turn to friends and the community</b> (retirees: 36% vs. 9%; pre-retirees: 42% vs. 14%)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Reduce expected legacies</b> (retirees: 70% vs. 53%; pre-retirees 66% vs. 46%)</li> </ul>
<ul style="list-style-type: none"> <li>■ <b>Look to children and family</b> (retirees: 28% vs. 11%; pre-retirees: 31% vs. 18%)</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Downsize housing</b> (retirees: 62% vs. 51%; pre-retirees 75% vs. 53%)</li> </ul>
	<ul style="list-style-type: none"> <li>■ <b>Use value of home</b> (retirees: 55% vs. 31%; pre-retirees 61% vs. 39%)</li> </ul>

<sup>1</sup> This section looks at reasons for working longer among individuals who said they will/did work longer than they preferred because they did not have enough money to retire [Pre-retiree: low (n=125), middle (n=160), high (n=121); Retiree: low (n=52), middle (n=73), high (n=48)].

# Summary

Taken together, the Society of Actuaries' 2015 Risks and Process of Retirement Survey, focus groups and individual retiree interviews show that pre-retirees and retirees have many of the same concerns about retirement.

However, the level of concern and sometimes the predominant concerns differ in certain areas. For instance, health care costs, long-term care and inflation are the top concerns that both pre-retirees and retirees report having about post-retirement risks. However, pre-retirees are more concerned than retirees about most risks, and the income level of individuals impacts the level of risk that these sectors perceive and experience.

New findings from the 2015 quantitative and qualitative research show that “shock events,” such as unexpected home repairs, dental and prescription drug costs as well as late-in-life divorce, do happen. These threaten to derail retirement

plans. Having to pay out-of-pocket for long term-care services is another risk that looms, though it is not always perceived until the time it occurs. The research shows that the retirement experience of one's parent does influence how many older individuals perceive their own retirement prospects, as does an individual's level of income.

Risks notwithstanding, the research shows that retirees do seem to adapt to changes from their original plans. Many are resilient despite retirement risks experienced or perceived. A female focus group participant in Chicago, in speaking about her husband's death, captured that message succinctly: “When my husband passed away,” she said, “I lost his Social Security. I got part of it, but being one person rather than two, it's okay for me ... Like I said, I am not rich, and I'm frugal too.”

# Research Parameters

## THE PARTICIPANTS

The survey reflects online interviews of 2,040 adults ages 45 to 80 (1,005 retirees and 1,035 pre-retirees) and 198 retired widows. The participants were selected by using Research Now's nationwide online consumer panel. Only 6 percent of pre-retirees and 9 percent of retirees reported having investable assets of \$1 million or more. This was achieved through a combination of fielding targets and weighting, to ensure that the findings do not have a particular focus on high-net-worth individuals.

The 12 focus groups were conducted in June and July of 2015 in five locations: Baltimore, MD; Chicago, IL; Dallas, TX; Kitchener, ON; and Edmonton, AB.

## THE IMPACT OF DEMOGRAPHICS AND GEOGRAPHY

The focus group participants were longer-term retirees who had some financial constraints; their investable assets ranged between \$50,000 and \$350,000, and each participant had household income of more than \$2,000 a month from rental properties and defined benefit plans. Groups were separated by asset level and by gender. In addition, some groups focused on those who had experienced marital change in retirement.

The focus groups were separated by gender. There were also separate groups for people who had experienced a marital

change since retirement and for people who had experienced a major health event. Some of the focus groups were conducted in Canada.

The differences by gender, observed in previous studies, persisted in the 2015 study. There were not major financial differences between the groups who had experienced marital change and the other groups, or between the groups who had experienced health events and the other groups. In addition, there was a lot of similarity between the U.S. and Canadian focus groups, though with differences in some areas.

Due to the small size of the focus groups, implications can be deduced, but statistical conclusions cannot be reached from the focus groups alone. The size of the survey samples, however, permitted more separation into different subgroups. As indicated earlier, analysis of the survey results indicated major differences by income levels.

## DETAIL OF SURVEY RESPONDENTS

The following charts summarize the demographic characteristics of the 2015 survey respondents. For a comparison to respondents from previous iterations of the survey, please refer to the full survey report available at [www.soa.org](http://www.soa.org).

	Pre-retirees (n=1,035)	Retirees (n=1,005)	Retired widows (n=282)
<b>Age</b>			
45 to 54	60%	6%	2%
55 to 64	35	29	16
65 to 74	4	41	54
75 to 80	0	24	28
<b>Sex</b>			
Men	46%	48%	0%
Women	54	52	100
<b>Marital Status</b>			
Married	61%	55%	0%
Living with a partner	6	3	0
Separated or divorced	16	20	0
Widowed	4	14	100
Single, never married	13	9	0

## RESEARCH PARAMETERS

	Pre-retirees (n=1,035)	Retirees (n=1,005)	Retired widows (n=282)
<b>Education</b>			
High school graduate or less	39%	44%	27%
Some college/trade or vocational school	25	27	37
Bachelor's degree	19	13	16
Postgraduate work	3	4	4
Graduate or professional degree	14	12	16
<b>Employment Status</b>			
Working	94%	11%	2%
Retired	0	82	94
Homemaker	1	1	1
Laid off/unemployed seeking work	2	0	0
Disabled and unable to work	2	4	1
Other	2	1	2
<b>Health Status</b>			
Excellent	17%	13%	18%
Very good	47	39	40
Good	27	30	29
Fair	7	12	13
Poor	2	5	1
<b>Provide Financial Support for Anyone Other than Spouse/Partner?</b>			
Yes	30%	13%	12%
<b>Home Ownership</b>	(n=1,035)	(n=1,005)	(n=282)
Own home free and clear	24%	47%	53%
Own home, owe mortgage	52	30	23
Own home, owe reverse mortgage	0	2	2
Rent home	20	17	16
Have some other primary living arrangement	4	4	6
<b>Household Income</b>			
Less than \$25,000	13%	27%	26%
\$25,000 to \$34,999	7	14	18
\$35,000 to \$49,999	12	15	18
\$50,000 to \$74,999	18	19	20
\$75,000 to \$99,999	16	9	9
\$100,000 to \$124,999	15	9	4
\$125,000 to \$149,999	9	4	1
\$150,000 or more	11	4	4

	Pre-retirees (n=1,035)	Retirees (n=1,005)	Retired widows (n=282)
Total Savings/Investments (not including primary residence)			
Less than \$10,000	21%	22%	22%
\$10,000 to \$24,999	6	5	5
\$25,000 to \$49,999	8	5	4
\$50,000 to \$99,999	8	9	7
\$100,000 to \$249,999	16	14	11
\$250,000 to \$499,999	13	11	12
\$500,000 to \$999,999	10	10	10
\$1 million or more	6	9	11
Don't know/refused to say/preferred not to say	11	16	17

