EBRI Issue Brief
April 8, 2021 • **No. 529**

Retirees in Profile: Evaluating Five Distinct Lifestyles in Retirement

By Zahra Ebrahimi, Ph.D., Employee Benefit Research Institute

AT A GLANCE

As approximately 70 million Baby Boomers make their way into and through retirement, increased attention is being given to how they approach retirement spending as well as what constitutes a satisfactory lifestyle in retirement. One thing is clear: There is little homogeneity when it comes to the path retirees navigate. Factors such as available assets and income in retirement, debt, health status, marital status, and even gender impact retirement needs and outcomes. What are the common profiles of retirees, and what can we learn from them? Based on a survey of 2,000 retired households aged 62 to 75 and with fewer than $1 million in financial assets, the Employee Benefit Research Institute (EBRI) developed a series of "retiree profiles" based on retirees' financial statuses, including the levels of financial assets, annual income, debt, and homeownership, in addition to a few spending-behavior factors. From there, we identified distinguishing characteristics — demographics, retirement income, debt, health insurance, long-term-care coverage, and spending patterns — of the retiree profiles. We also examined the spending-down strategies and plans used by each type of retiree. And finally, we looked at how retirees of different types rated their retirement life satisfaction. We found:

- **Average Retirees** were more likely to report low levels of financial assets ($99,000 or less) and intermediate levels of income (between $40,000 and $100,000 annually), at 58 and 74 percent, respectively. They were more likely to be married than not, and they reported good health status on average. Just over half of **Average Retirees** thought they'd saved enough or more than enough for retirement. Six in ten **Average Retirees** seek to maintain or grow their financial assets in retirement. When it comes to sources of income, defined benefit (DB) plans play a major role for **Average Retirees**, along with Social Security. Nearly half had credit card debt, and almost as many also had a car loan. Half spend $2,999 or less monthly in retirement; 1 in 5 spends less than $2,000 in retirement. One in five **Average Retirees** allocates 60 percent or more of their budget on their home. The majority of **Average Retirees** tend to believe that their standard of living in retirement is unchanged from what it was during their working years. And the **Average Retiree** rates their level of satisfaction as 7.8 on a scale from 1 to 10.

- **Affluent Retirees** were more likely to have high levels of financial assets ($320,000 or more) and income ($100,000 or more annually), the majority were mortgage-free homeowners with no debt, and the majority of those with debt reported it as easily manageable. This group had the highest likelihood of being married among retirement groups, with the majority of respondents being men, primarily having a college education or higher. The majority of **Affluent Retirees** believe they have saved enough money for retirement, and only 1 in 3 said they plan to spend all or significant portions of their retirement accounts. The retirees in this group also have access to more types of retirement income than the retirees from the other groups, with defined benefit pension plans and personal savings being the most commonly cited. Only 1 in 5 reported having credit card and auto loan debts. One in two reported spending between $2,000 and $4,000 a month, and 1 in 4 spends 25 percent or more of their budget on discretionary expenses. The majority think their standard of living hasn't changed, and nearly a quarter think their standard of living has increased since retirement. On average, retirees in this group were the most satisfied with their retirement of all retiree groups.

- **Comfortable Retirees** were more likely to have intermediate levels of financial assets (between $99,000 and $320,000) and income. Thirty-seven percent had a mortgage, while 1 in 2 were mortgage-free homeowners. One-third reported no debt and 42 percent had an easily manageable amount of debt. Most of them were married and had a college degree or higher. Almost three-quarters said their retirement savings are sufficient or even above their needs, and more than half plan to grow, maintain, or spend only a small portion of their financial assets. In this group, more retirees cited workplace retirement savings plans such as 401(k) plans and individual retirement accounts (IRAs), in addition to Social Security, as their major source of income than any other group. Credit card and auto loan debt were the most common forms of debt, and 1 in 3 reported having at least one of these debts. Half of the retirees in this group spend less than $3,000 a month, while the majority said they can afford their current level of spending. In this group of retirees, most think their standards of living have not changed since their working years; however, 1 in 4 believes it has declined. **Comfortable Retirees** were on average the second most satisfied with their retirement life after the **Affluent Retirees**.

- **Struggling Retirees** almost entirely had low financial assets (less or equal to $99,000), and 3 out of 4 had low income levels (less than $40,000). The share of renters in this group exceeds any other group at 44 percent. Only 1 in 2 was a homeowner and 1 in 4 did not have a mortgage on their house. There were only 1 in 5 reporting having no debt, while 45 percent had manageable debt and 20 percent had unmanageable debt. Female respondents made up the majority of respondents in this group, and the majority were from non-coupled households. Over two-thirds had no or some college education, and they also rated their health status the worst out of all groups. Three-quarters believe they had saved much less than was necessary for their retirement, and of those who have a financial account, most intend to spend down their accounts to zero or to a significant extent. Social Security provided the bulk of retirement income for the retirees in this group, and only 1 in 3 cited a DB plan as a major or minor source of income. Access to retirement income from other sources was the lowest in this group compared with all other retiree groups. This group had higher incidences of credit card debt (65 percent) and medical debt (25 percent) than any other. More than half spend less than $2,000 a month, and nearly half think they cannot afford their current level of spending. The majority of **Struggling Retirees** believe they have a reduced standard of living compared with when they were working. Retirement life satisfaction rates were the lowest in this group, with an average score of 5.8 on the 1-to-10 scale.

- **"Just-Getting-By" Retirees** also mostly consist of the retirees with low levels of financial assets and income, but in contrast to **Struggling Retirees**, half owned their houses free and clear, while 30 percent rented and only 17 percent had mortgages. Also, 1 in 2 respondents reported no debt, while the majority of those who did report debt called it easily manageable. The demographics of this group corresponded to the **Struggling Retirees** group. There were more female respondents in this group than men, nearly two-thirds came from a non-coupled household, and only 30 percent had a college education or higher. But in contrast to **Struggling Retirees**, half believed they had saved enough for retirement, while the other half is split between those who think they have saved a little less than needed and those who believe they have saved much less than needed. Most of the retirees in this group relied on Social Security as a major source of income and over half cited personal savings as a major or minor source of income. Additionally, nearly a third mentioned DB plans and IRAs as a source of income. Compared with struggling retirees, a smaller share of retirees had credit card or medical debt (35 and 7 percent respectively). Seventy-five percent of this group's retirees spend less than $2,000 a month, a higher percentage than in any other group, and nearly 1 in 5 devoted 60 percent or more of their budget toward their housing expenses. Almost one-third believe that their standard of living has decreased, while nearly half believe that it remains the same as when they were employed. These retirees scored better than **Struggling Retirees** on the retirement life satisfaction scale, averaging 7.2 out of 10.

EBRI was able to fund the development of this research thanks to a generous grant from the RRF Foundation for Aging.

Zahra Ebrahimi is a Research Associate at the Employee Benefit Research Institute (EBRI). This *Issue Brief* was written with assistance from the Institute's research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, Employee Benefit Research Institute-Education and Research Fund (EBRI-ERF), or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

Suggested citation: Ebrahimi, Zahra, "Retirees in Profile: Evaluating Five Distinct Lifestyles in Retirement," *EBRI Issue Brief*, no. 529 (Employee Benefit Research Institute, April 8, 2021).

Report availability: This report is available on the internet at www.ebri.org

Table of Contents

Figures

Retirees in Profile: Evaluating Five Distinct Lifestyles in Retirement

By Zahra Ebrahimi, Ph.D., Employee Benefit Research Institute

Introduction

Several factors determine financial security in retirement, including total resources at the time of retirement, the amount of debt individuals carry, expenditure patterns throughout retirement, and most importantly how financial resources are spent toward the end of individuals' lives. These factors have been examined in a series of the Employee Benefit Research Institute (EBRI)'s *Issue Briefs*, starting by looking at how retirees' consumption declines as they get older as well as how their allocated budget shifts away from specific expenditure categories to others.[1]

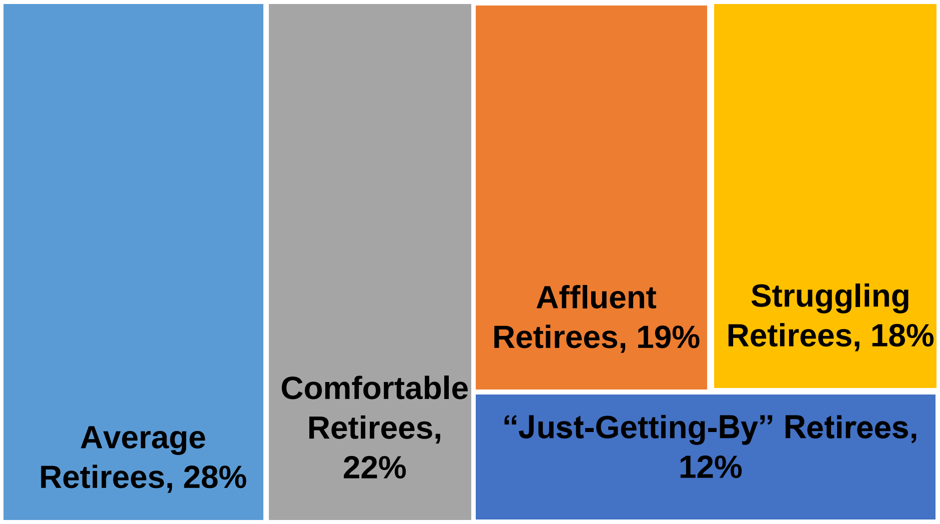
In the latest study, EBRI focused on the diversity of the spending patterns of preretirees and retirees and identified a set of retiree profiles based on budget allocations. In addition, the study uncovered a number of socioeconomic factors associated with each profile and examined how the elderly's spending personas evolve as individuals grow older.

This research is based on an EBRI survey of 2,000 retired households aged 62 to 75 years old and with less than $1 million in financial assets. The online survey was conducted in September 2020.

Using the survey responses, this *Issue Brief* examines profiles of retirees based on their financial status and spending habits. First, retiree profiles are defined and a breakdown of their shares in the survey is reported. Next, the characteristics of each retiree type are examined in terms of demographics, retirement income, debt, health insurance, long-term-care coverage, and spending patterns. A later section discusses the spending-down strategies and plans used by each type of retiree. And finally, we look at how retirees of different types rated their retirement life satisfaction differently.

Retirement Profiles

Figure 1
Retirement Profiles



Using a statistical technique called cluster analysis,[2] EBRI survey respondents were divided into groups based on households' financial status, including the levels of financial assets, annual income, debt, and homeownership in addition to a few spending behavior questions. Figure 1 shows the share of each group in the sample, and Figures 2–5 summarize the most distinguishing features of all five groups. The most distinguishing factors were the levels of financial assets, income, debt, and homeownership as follows:

Financial Assets

The survey asks about the approximate value of respondents' household financial assets, defined as sum of the value of stocks and mutual funds; checking, savings, and money market accounts; certificates of deposit (CDs), government savings bonds, Treasury bills, and bonds and bond funds; and other savings. The survey responses are categorized as follows:

Low: Those with financial assets less than or equal to $99,000 (the median).

Intermediate: Those with financial assets more than $99,000 and less than or equal to $320,000 (75th percentile).

High: Those with financial assets more than $320,000.

Annual Income

This survey asks about households' total income in 2019, ranging from under $20,000 to more than $200,000 in intervals of $10,000. The respondents' income levels are categorized as follows:

Low: Those with an annual income less than $40,000.

Intermediate: Those with an annual income more than or equal to $40,000 and less than $100,000.

High: Those with an annual income equal to or more than $100,000.

Average Retirees' (28 percent of the sample) distribution of financial assets was closest to the sample distribution. Over half (58 percent) of Average Retirees had low levels of financial assets, while 26 and 16 percent had intermediate or high levels of financial assets, respectively. Nearly three-quarters of Average Retirees reported intermediate levels of income (74 percent), while 19 percent reported high levels ($100,000 or more annually) of income and 7 percent reported low levels of income.

Four in ten (40 percent) Average Retirees owned a mortgage-free home, while 47 percent owned a home with a mortgage and 12 percent rented their home. The data showed that nearly one-third of Average Retirees did not have any debt, while 31 percent reported manageable debt levels and 35 percent had low levels of debt.[3] Only 5 percent of Average Retirees reported unmanageable debt.

Affluent Retirees (19 percent of the sample) were more likely to report high levels of financial assets than any other group, with 58 percent doing so. However, 30 percent reported intermediate levels of financial assets, and 12 percent reported low levels of financial assets. Likewise, 62 percent of Affluent Retirees reported high levels of income, 34 percent reported intermediate levels of income, and 4 percent reported low levels of income.

Most Affluent Retirees were homeowners, with 76 percent reporting owning their home mortgage free and only 20 percent reporting a mortgage. Furthermore, most Affluent Retirees (61 percent) reported having no debt, while those with debt generally described their debt as easily manageable.

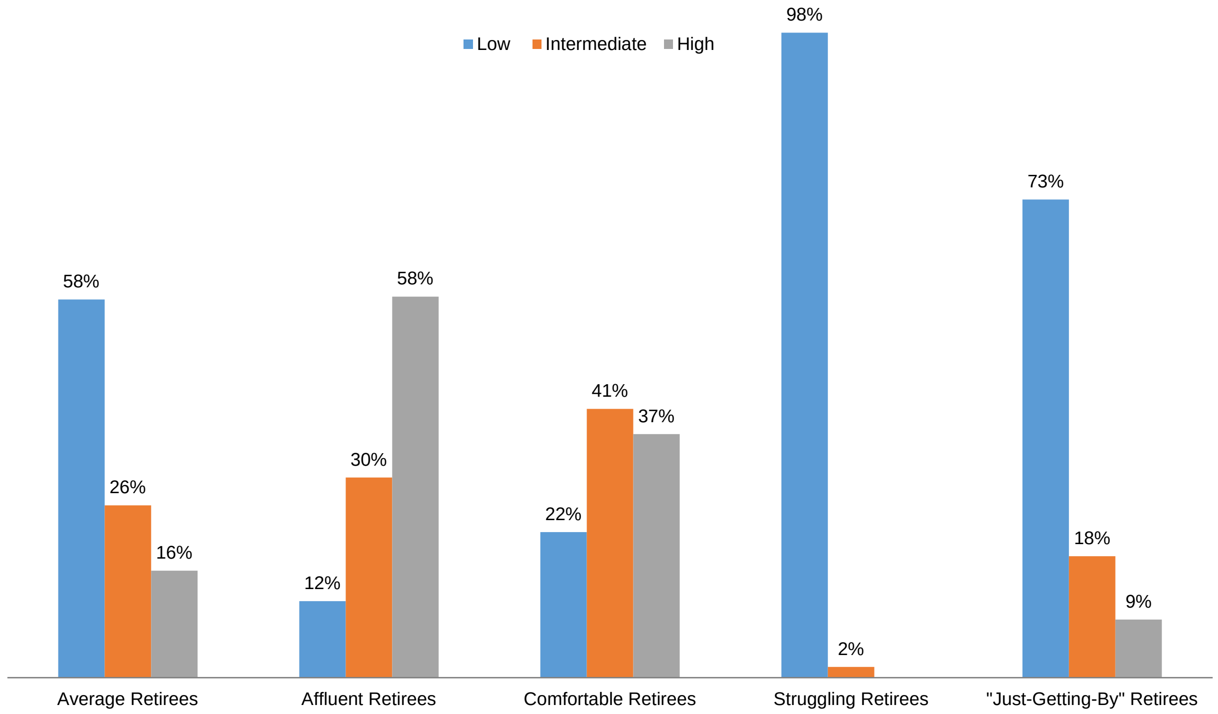
Comfortable Retirees (22 percent of the sample) reported intermediate or high levels of financial assets (41 and 37 percent respectively) and intermediate or high levels of annual income (68 and 16 percent respectively). Just over half (53 percent) of Comfortable Retirees owned a home without a mortgage; 37 percent owed mortgages on their homes, and 9 percent rented. While most Comfortable Retirees (63 percent) did report having debt, two-thirds with debt described their debt as either easy to manage or negligible.

Struggling Retirees (18 percent of the sample) were characterized as having a low level of financial assets (98 percent) and most (73 percent) had low levels of income. More than 4 in 10 (44 percent) of these households had rental homes—greater than any other group. Just 25 percent of Struggling Retirees owned a home free and clear; 28 percent had a mortgage. Only 19 percent of Struggling Retirees did not report debt, and 20 percent described their debt as unmanageable or crushing, which was the highest percentage among all groups.

"Just-Getting-By" Retirees (12 percent of the sample) are low-income retirees (91 percent) with low levels of financial assets (73 percent). While more than half (51 percent) of "Just-Getting-By" Retirees own a home with no mortgage (17 percent own a home that has a mortgage), 30 percent reported renting their home.

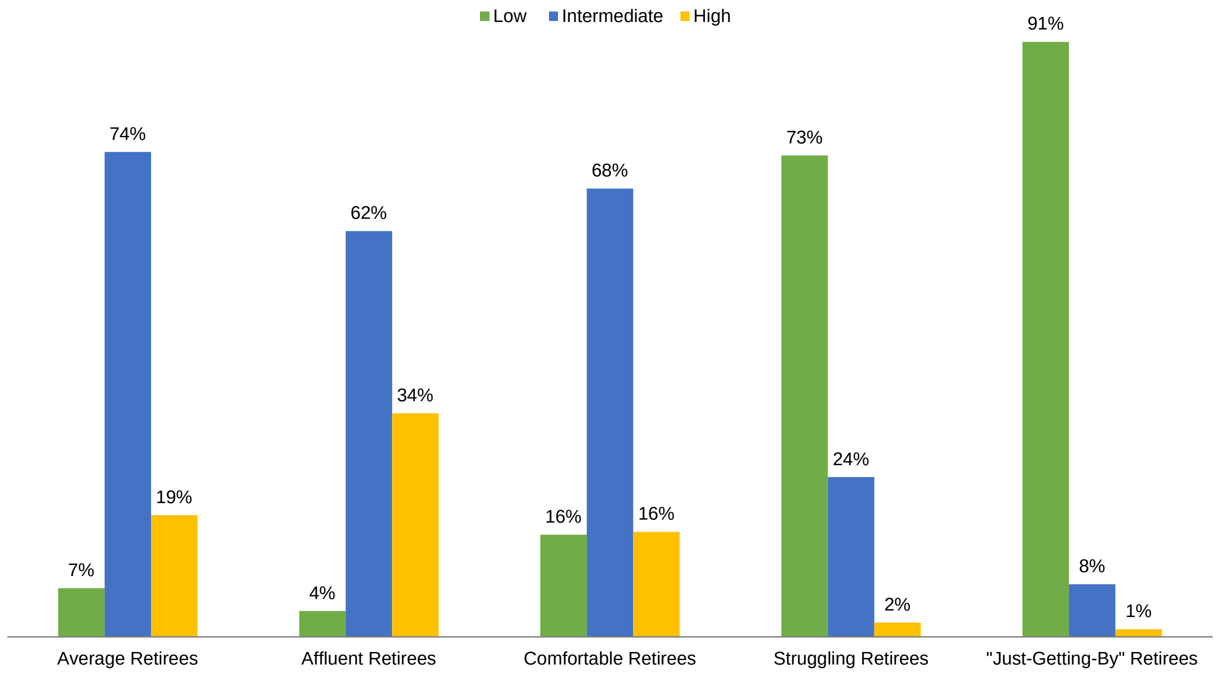
One in two "Just-Getting-By" Retirees reported no debt, and most of those with debt described their debt levels as easily manageable/negligible.

Figure 2
Financial Assets Level and Retirement Profiles



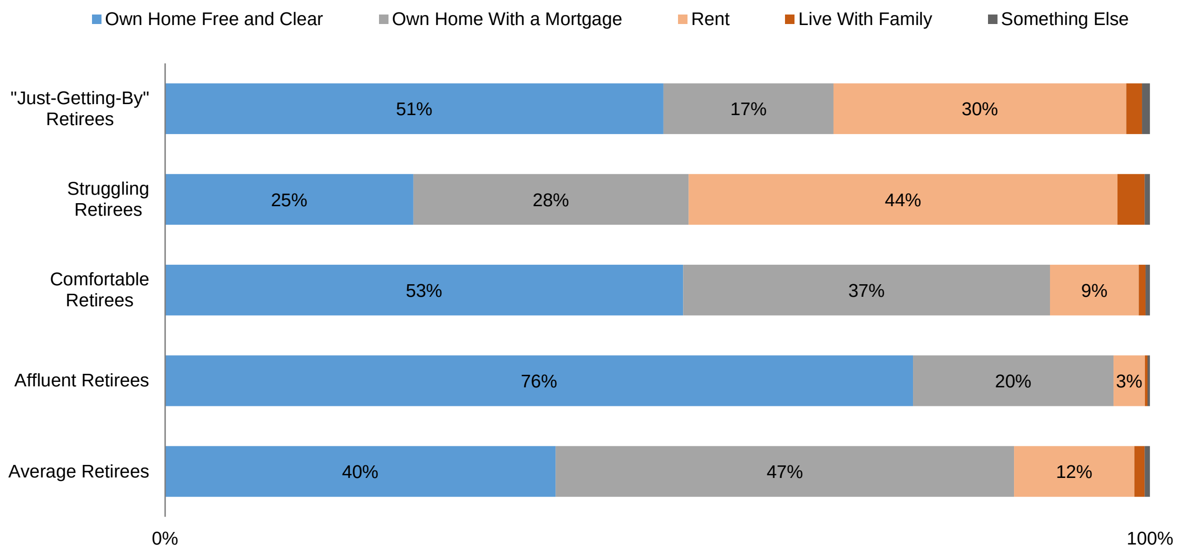
Source: EBRI's Spending in Retirement Survey.

Figure 3
Annual Income Level and Retirement Profiles



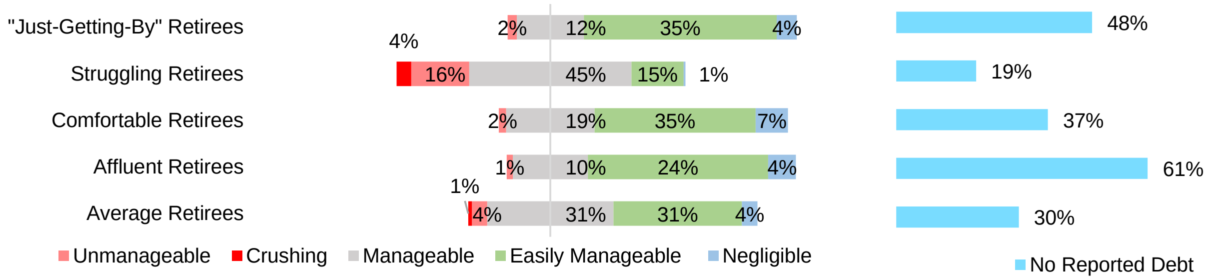
Source: EBRI's Spending in Retirement Survey.

Figure 4
Homeownership and Retirement Profiles



Source: EBRI's Spending in Retirement Survey.

Figure 5
Self-Reported Debt Status and Retirement Profiles



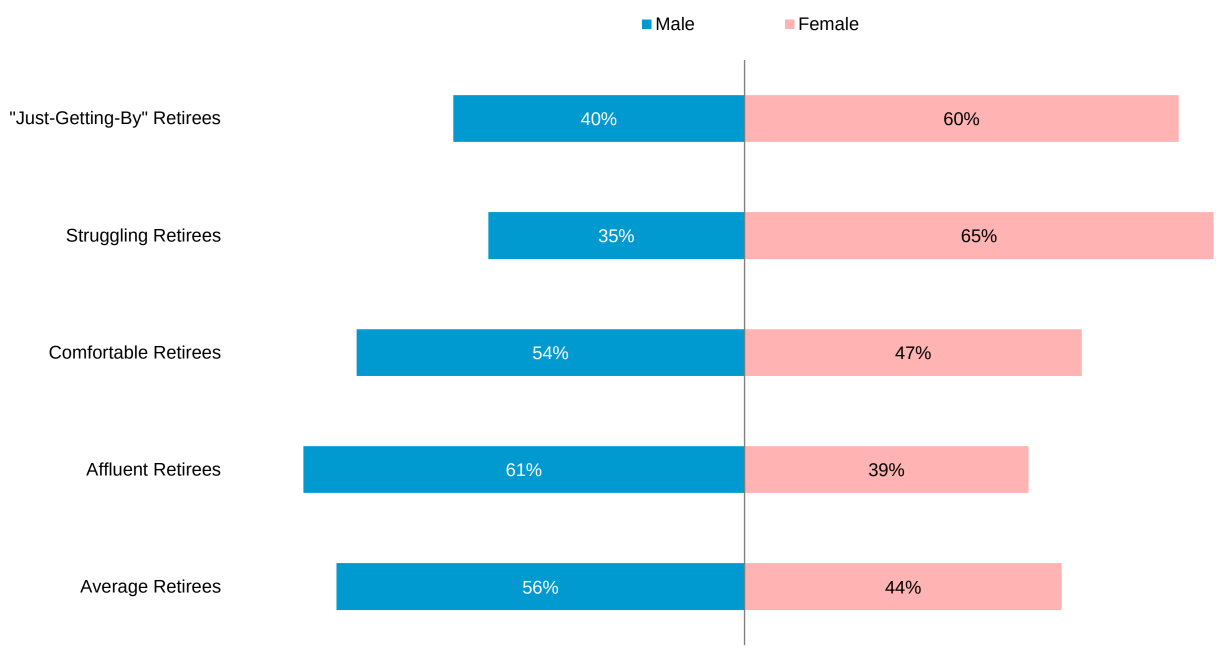
Source: EBRI's Spending in Retirement Survey.

Demographic Differences

A number of demographic differences between the five groups identified in the study stand out. Specifically, starting with gender (Figure 6), we find that **Affluent Retirees** were significantly more likely to be male (61 percent) than female. **Average Retirees** and **Comfortable Retirees** were slightly more likely to be male than female. And notably, the two groups showing the most strain in retirement — **Struggling Retirees** and **"Just-Getting-By" Retirees** — were far more likely to be female (65 and 60 percent respectively) than male.

Marital status plays out along similar lines. **Affluent Retirees** had the highest proportion of married participants (3 out of 4), followed by **Average Retirees** and **Comfortable Retirees**, who had 69 and 67 percent married members, respectively.

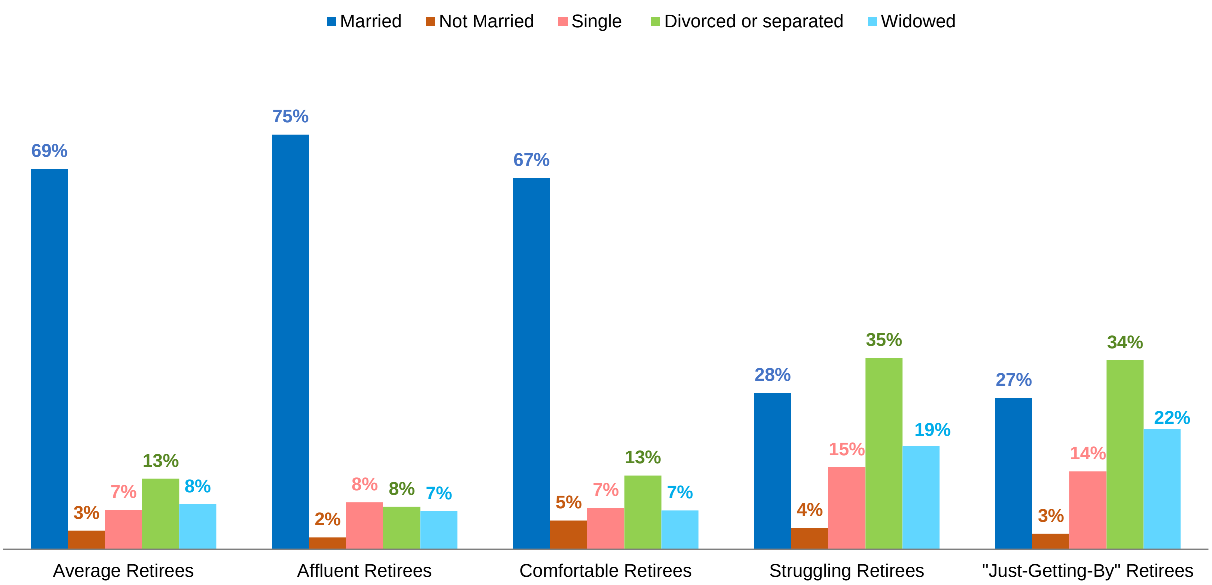
Figure 6
Gender and Retirement Profiles



Source: EBRI's Spending in Retirement Survey.

In contrast, **Struggling Retirees** and **"Just-Getting-By" Retirees** were much less likely to be married (28 and 27 percent respectively). Instead, around 35 percent were divorced or separated, and about 1 in 5 was widowed or single/unmarried (Figure 7).

Figure 7
Marital Status and Retirement Profiles

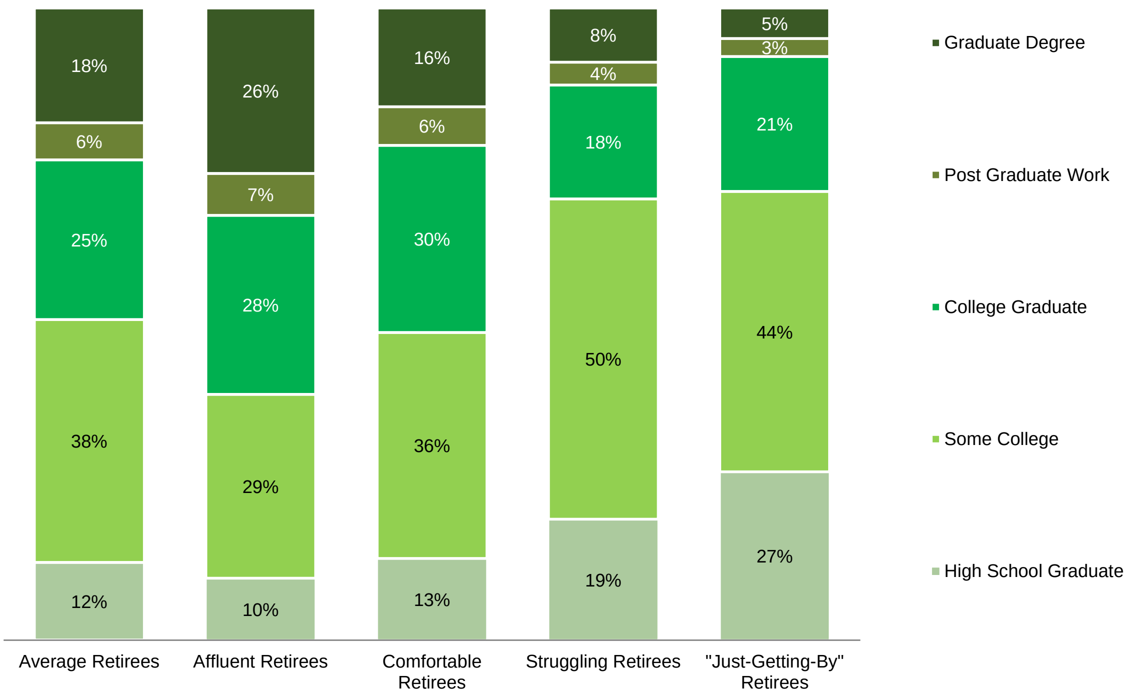


Source: EBRI's Spending in Retirement Survey.

As Figure 8 illustrates, the highest level of educational attainment was also a distinguishing factor among retiree groups. Most **Affluent Retiree** respondents (61 percent) held a college degree or higher, and more than a quarter (26 percent) were graduate-degree holders — the highest percentage of any group. **Average Retirees** and **Comfortable Retirees** were equally distributed between those without a college degree and those with a college degree or higher. In contrast, most of the **Struggling Retirees** and **"Just-Getting-By" Retirees** had only high school diplomas or some college education (69 and 71 percent respectively), with just a small fraction in the latter group holding a graduate degree.

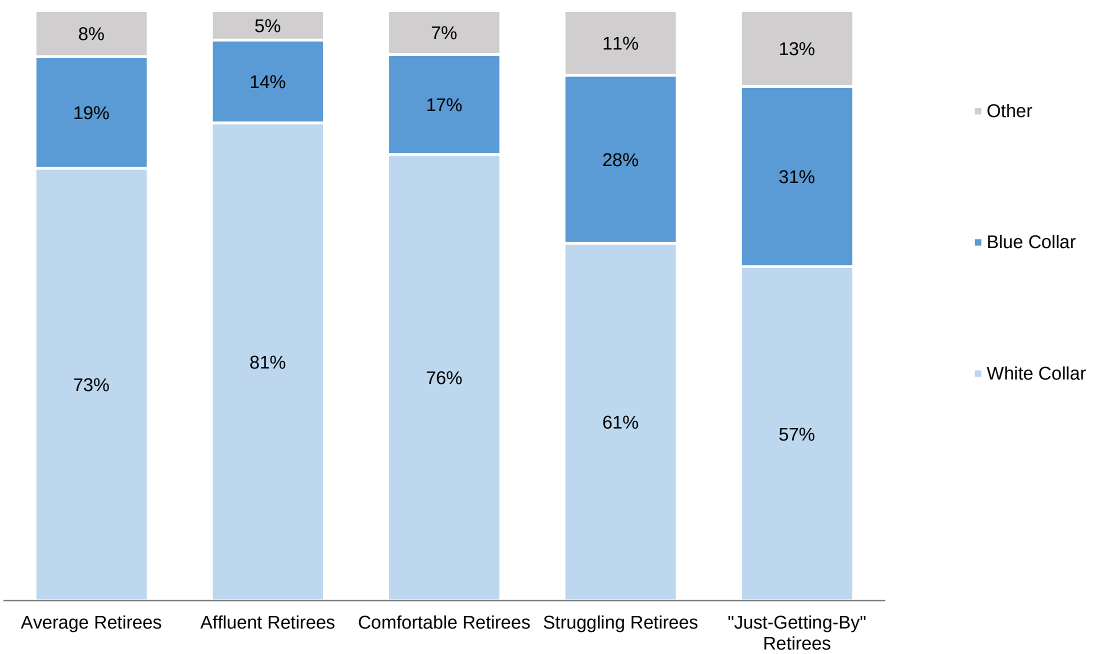
As might be expected, employment prior to retirement was also an important factor (Figure 9). **Affluent Retirees** reported predominantly white-collar preretirement employment (81 percent), defined in the survey as executive, senior manager, mid-level or lower-level manager, professional or technical, administrative, and other white-collar employment. Roughly three-quarters of **Average Retirees** and **Comfortable Retirees** reported having been employed in a professional capacity as well. In contrast, **Struggling Retirees** and **"Just-Getting-By"** Retirees were more likely to report blue-collar employment (blue-collar union, blue-collar nonunion, and service worker) as their preretirement employment status (28 percent and 31 percent respectively).

Figure 8
Respondents' Educational Level and Retirement Profiles



Source: EBRI's Spending in Retirement Survey.

Figure 9
Last Employment Type and Retirement Profiles



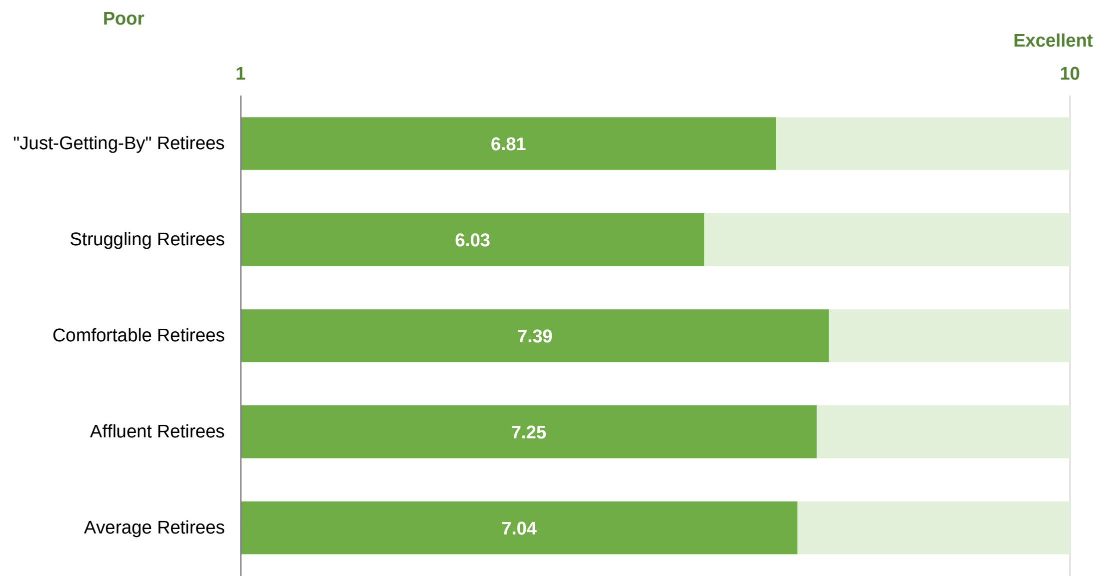
Source: EBRI's Spending in Retirement Survey.

Health Status

Health and wealth status are closely linked, and this plays out in EBRI's study as well. Survey respondents were also asked to rate their health status on a scale of 1 (poor) to 10 (excellent).

According to Figure 10, **Struggling Retirees** scored the lowest (an average of 6) in terms of self-reported health status, followed by **"Just-Getting-By" Retirees** (an average of 6.8). In comparison, **Average Retirees**, **Affluent Retirees**, and **Comfortable Retirees** reported better health status, with average scores of 7 to 7.4.

Figure 10
Average Rate of Self-Reported Health Status and Retirement Profiles



Source: EBRI's Spending in Retirement Survey.

Sources of Income

Sources of income offer some important insights into the retirement profiles derived from the study. We now turn to analyzing the role of Social Security, defined benefit (DB) pension plans, individual retirement accounts (IRAs), workplace retirement savings plans, personal savings, guaranteed monthly income, or work for pay as a major or minor source of income (Figures 11A-11H).

Notably, every retiree group cited either their own Social Security or their spouse's Social Security as a source of income, although **Affluent** and **Average Retirees** were more likely to cite it as a minor vs. major source. Another thing that stands out is how little the various groups relied on IRAs, workplace retirement savings plans, or personal retirement savings as a major source of income — with the exception of **Comfortable Retirees**.

Indeed, for **Affluent Retirees** and **Average Retirees,** it is income from DB plans that plays the most major role. Six in ten **Affluent Retirees** reported their DB plan as a major source of income; 65 percent of **Average Retirees** did so.

For **Affluent Retirees**, while IRAs, workplace retirement savings plans, or personal retirement savings or investments were not commonly a major source of income, they were more commonly a minor source of income than for any other group, indicating that many of these retirees had these types of savings. Guaranteed monthly annuity-type income was a more significant factor for **Affluent Retirees** than any other group (40 percent cited it as either a minor or major source).

Figure 11A
Income Source: Self Social Security

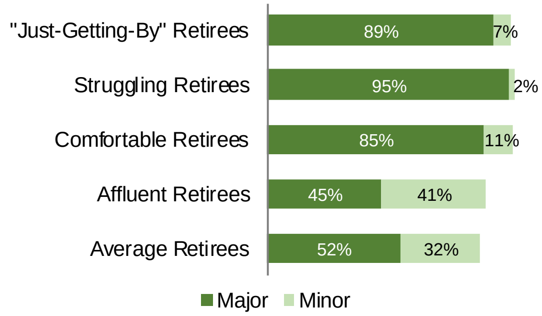


Figure 11B
Income Source: Spouse Social Security

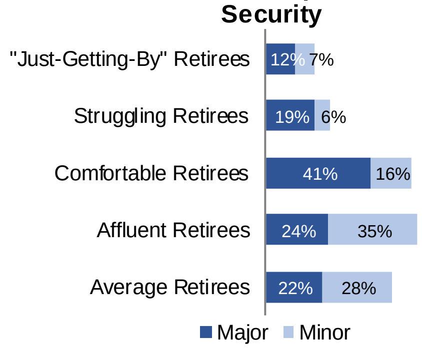


Figure 11C
Income Source: Defined Benefit or Traditional Pension Plan

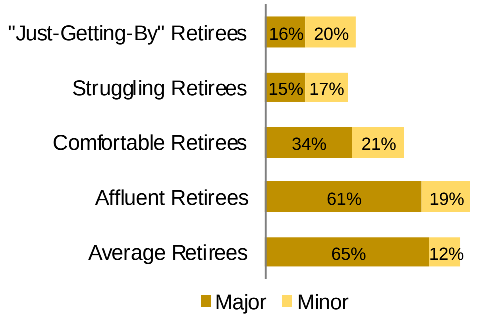


Figure 11D
Income Source: IRA

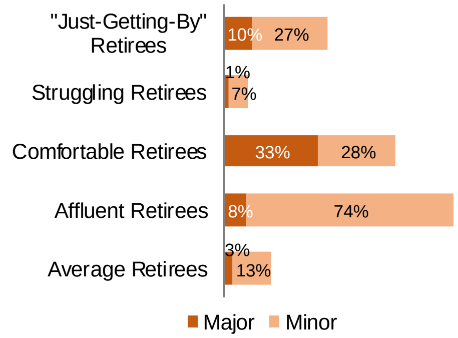


Figure 11E
Income Source: Workplace Retirement Savings Plan Such as 401(k)

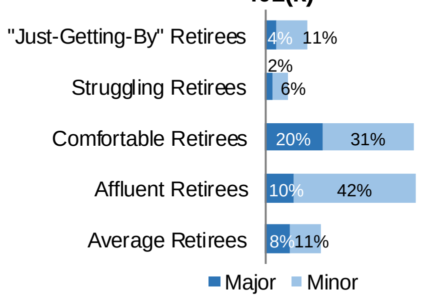


Figure 11F
Income Source: Personal Retirement Savings or Investments

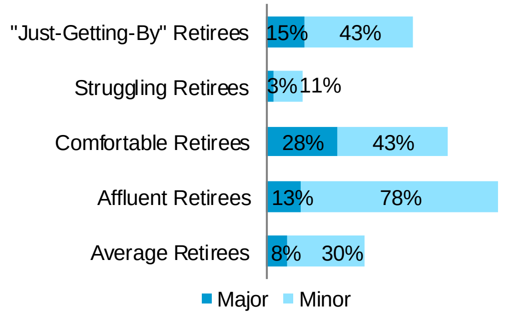


Figure 11G
Income Source: Guaranteed Monthly Income Such as an Annuity

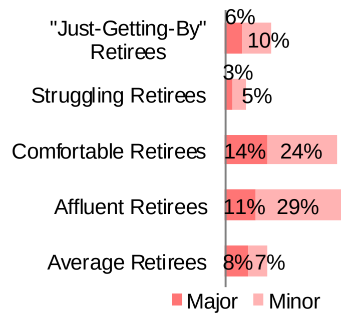
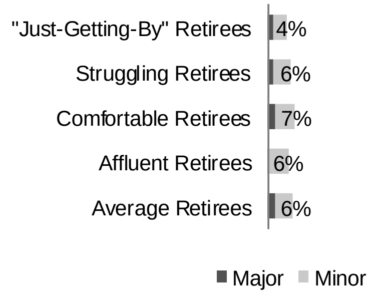


Figure 11H
Income Source: Self or Spouse Work for Pay



Source: EBRI's Spending in Retirement Survey.

In addition to DB income, **Average Retirees** primarily referred to their own Social Security as a major source of income (52 percent). Half also mentioned the income from spousal Social Security as a major (22 percent) or minor (28 percent) source of income. Income from personal savings was a major source for only 8 percent of this group, while it was a minor source for 30 percent. Only a small share of Average Retirees cited income from workplace retirement accounts and IRAs as a source of income (19 and 16 percent respectively). Personal savings was cited by 38 percent of this group as a source of income. In short, the sources of income for **Average Retirees** were heavily concentrated in DB plans and Social Security.

In contrast, **Comfortable Retirees'** income appeared to be the most diverse of any other retiree profiles. **Comfortable Retirees** were more aligned with **Struggling** and **"Just-Getting-By"** Retirees when it came to relying on their own Social Security as a major source of income (85 percent). They were also more likely than any other group to report spousal Social Security as a majority source of income (41 percent). However, they were more likely than **Struggling** or **"Just-Getting-By"** Retirees to report defined benefit pension income as a major source of income (34 percent) — although they were much less likely to do so than **Affluent** or **Average** Retirees. And of all groups, **Comfortable Retirees** were most likely to report income from IRAs (33 percent), workplace retirement savings plans (20 percent), or personal retirement savings (28 percent) as a major source of income. They were second only to **Affluent Retirees** in reporting guaranteed monthly income such as an annuity as either a major or minor source of income (38 percent).

Struggling Retirees appeared to have the least diverse sources of income of any group. Virtually all (95 percent) cited Social Security income as a major source of income, and only 32 percent cited DB income as a source of income. For every other source of income — except work for pay — Struggling Retirees were the least likely to cite having access.

"Just-Getting-By" Retirees had slightly more diverse sources of income than **Struggling Retirees**, but like them, they reported relying very heavily on Social Security. A third of **"Just-Getting-By" Retirees** reported DB income, and a somewhat surprising number reported income from personal retirement savings (58 percent) or IRAs (37 percent).

Types of Debt

Other EBRI research has shown a strong link between debt and retirement lifestyle, and the current analysis confirms this correlation. Essentially, **Struggling Retirees** were the most likely to be in debt and to have unmanageable debt, and **Affluent Retirees** were the least likely to be in debt and to have unmanageable debt. Further differences are revealed by looking at the types of debt held by retirees in each group (Figure 12).

The dominant types of debt for most retiree groups were credit card debt and car loans. However, **Struggling Retirees** stand out in particular because of the amount citing credit card debt: 65 percent. Recall that this is the group in which 20 percent described their debt as unmanageable or crushing. In fact, **Struggling Retirees** were also considerably more likely than other groups to report medical debt (25 percent), and they were most likely to have student loan debt of all groups (6 percent). Moreover, 1 in 4 had car loan debt and 1 in 10 had home equity loan debt.

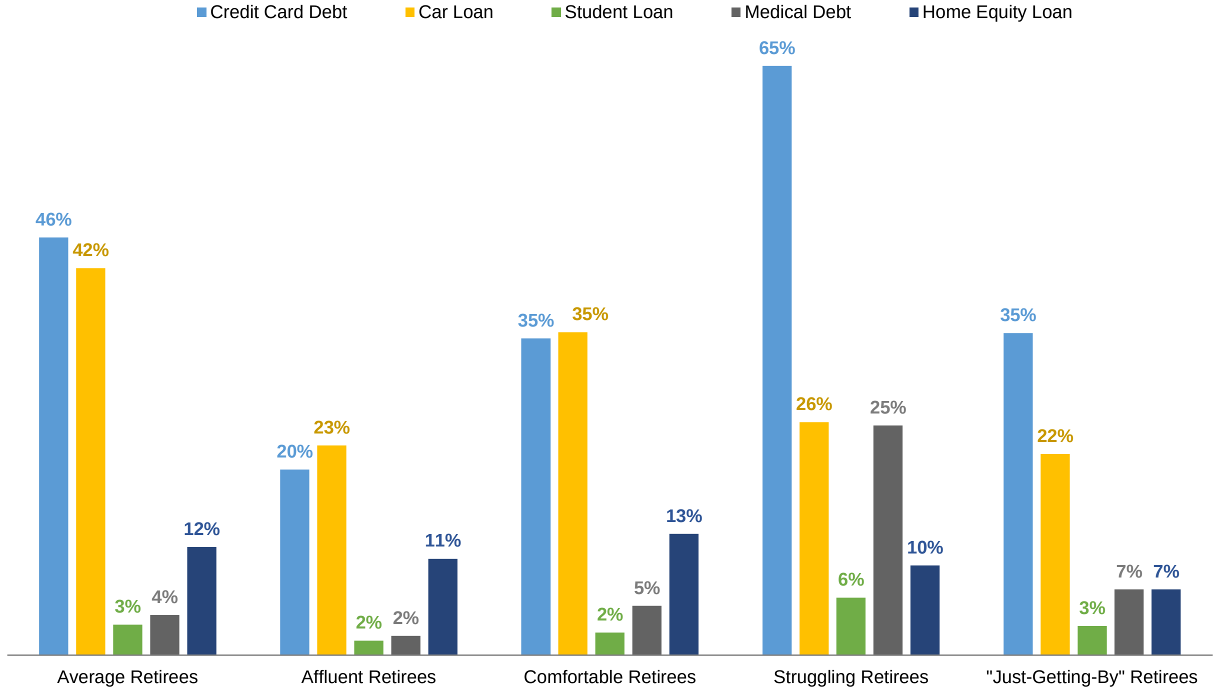
Interestingly, **Average Retirees** were the second most likely to cite credit card debt (46 percent). They were also second only after **Struggling Retirees** to report having a car loan (42 percent). They were far less likely than **Struggling Retirees**, however, to report medical debt (4 percent) or student loan debt (3 percent), although a share of 12 percent reported having home equity loan debt.

Comfortable Retirees came in third for credit card debt, with 35 percent reporting having such debt. They came in second, however, in incidence of car loans, after **Average Retirees**. In addition, a share of 13 percent had home equity loan debt — more than any other group.

"Just-Getting-By" Retirees compared fairly well to other groups when it came to types of debt. Fewer had credit card debt than **Struggling Retirees** (35 percent), and fewer had car loans than any other group (22 percent). However, 7 percent mentioned medical debt.

Affluent Retirees were least likely to have credit card debt (20 percent) or medical debt (2 percent). Their incidence of car loans (23 percent) and student loans (2 percent) also put them on the low end of all groups in terms of debt.

Figure 12
Share With Different Types of Debt and Retirement Profiles



Source: EBRI's Spending in Retirement Survey.

Medicare and Long-Term-Care Coverage

The surveyed retirees ranged in age from 62 to 75, so most are eligible for Medicare. Eighty-one percent of respondents reported being covered by Medicare, 9 percent by retiree health care, and the rest chose "something else." With Medicare's traditional coverage requiring retirees to pay out of pocket, many turn to Medicare supplemental plans (Figure 13).

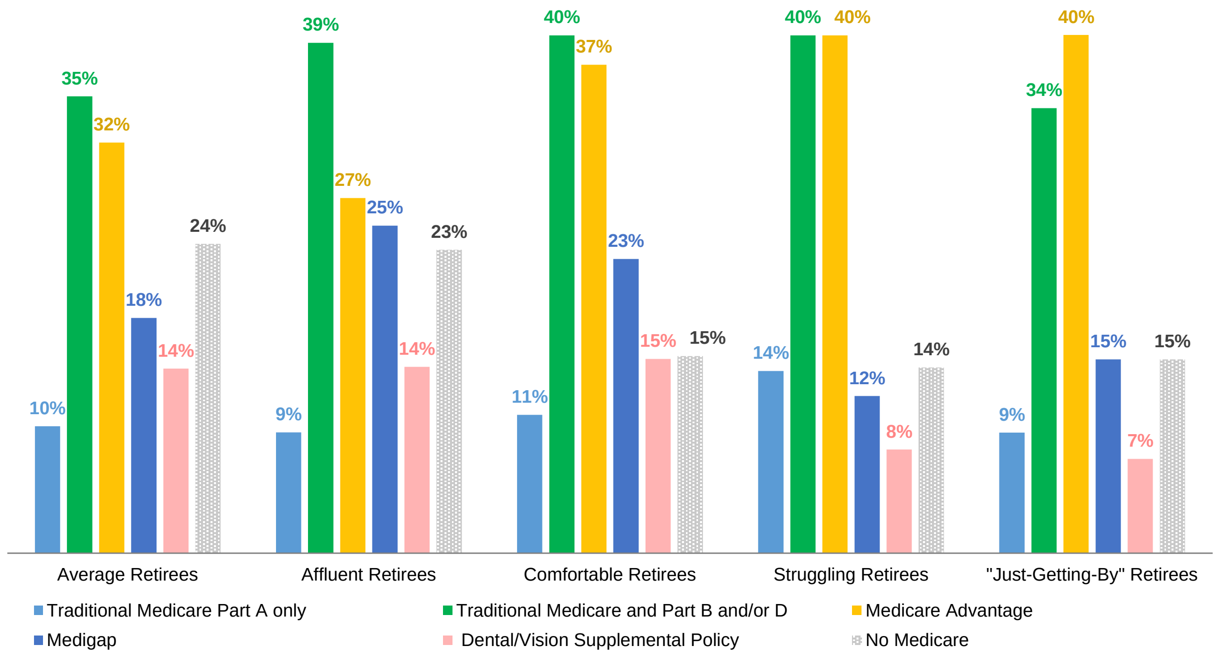
The survey responses show that a small fraction (9 to 14 percent) of retirees in all groups chose Medicare Part A coverage only. Most retirees supplemented their Medicare coverage with Medicare Part B/D and Medicare Advantage. Although the Medicare Part B/D coverage rate wasn't much different among retiree groups, **Affluent Retirees** were the least likely to have Medicare Advantage coverage (27 percent), compared with 40 percent of **Comfortable Retirees** and **Struggling Retirees**.

It is not surprising that **Affluent Retirees** and **Comfortable Retirees** had a higher Medigap coverage rate (25 and 23 percent respectively) than those in other groups, since Medigap is the most expensive option.

Further, about 14 to 15 percent opted for dental/vision supplemental policies among **Average Retirees**, **Affluent Retirees**, and **Comfortable Retirees**. The percentage dropped to about 7–8 percent among **Struggling Retirees** and **"Just-Getting-By" Retirees**.

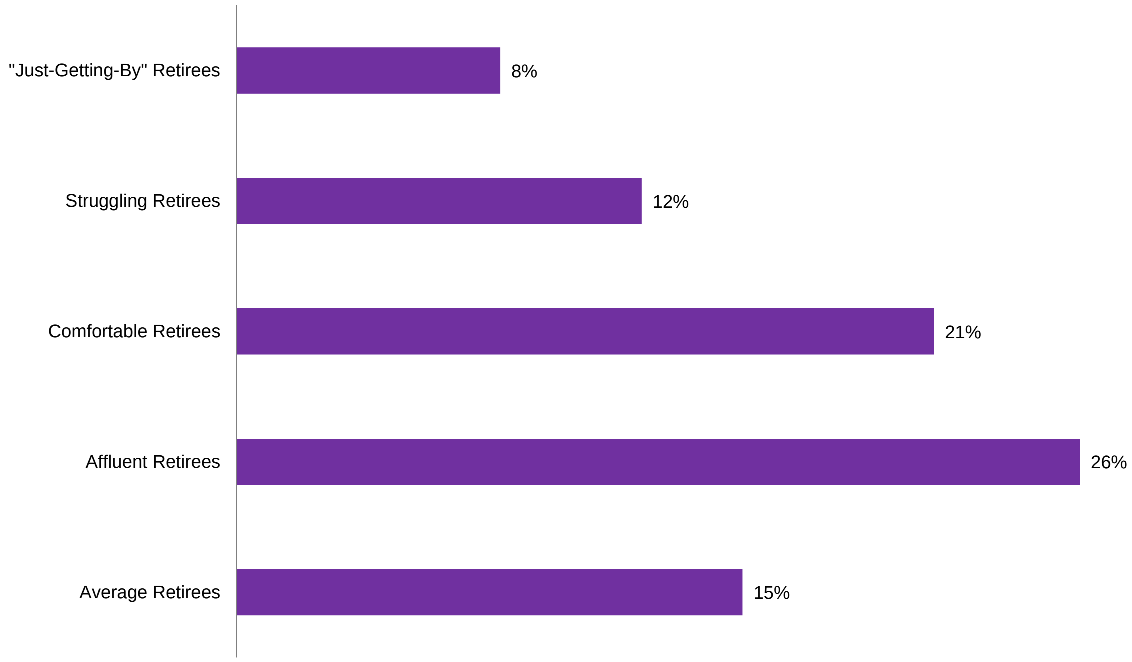
Retirees were also asked about their long-term-care coverage (Figure 14). Even though only 19 percent of all retirees said they had this coverage, there was a disparity among retiree groups. **Affluent Retirees** had the highest coverage rate at 26 percent, followed by 21 percent of **Comfortable Retirees**. This compares with only 8 percent of "Just-Getting-By" Retirees having long-term-care insurance and 12 percent of **Struggling Retirees** reporting having it.

Figure 13
Sources of Supplemental Coverage Among Medicare Beneficiaries and Retirement Profiles



Source: EBRI's Spending in Retirement Survey.

Figure 14
Share With Long-Term Care Insurance



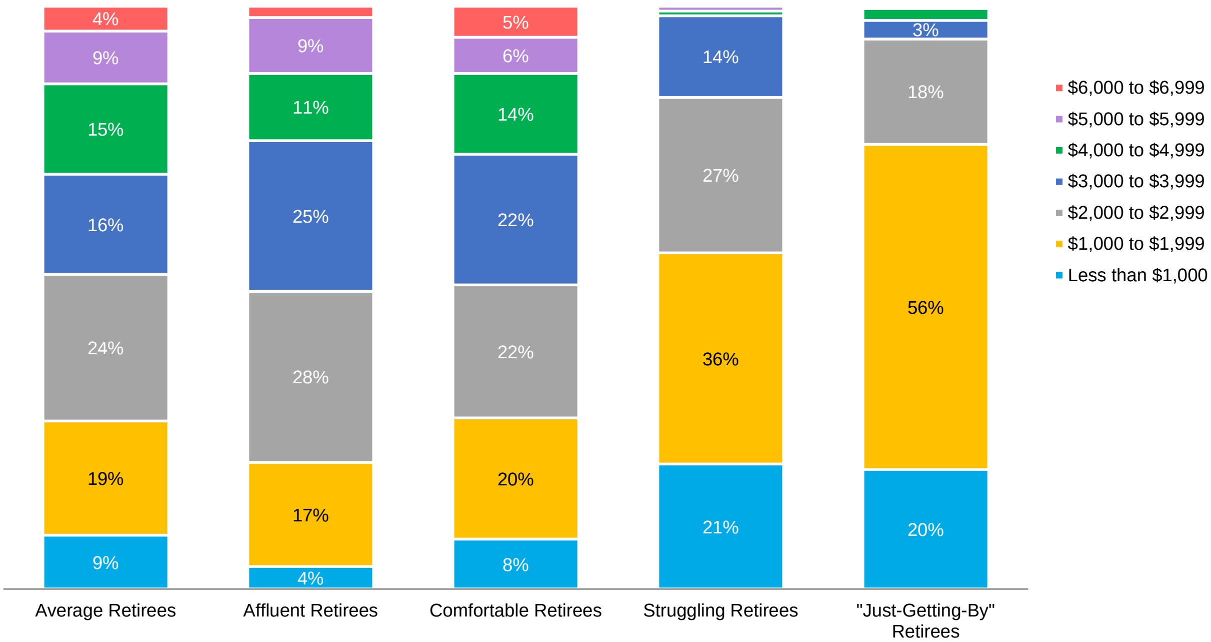
Source: EBRI's Spending in Retirement Survey.

Retirement Profiles and Spending

Not surprisingly given their different financial situations, **Average Retirees**, **Affluent Retirees**, and **Comfortable Retirees** were more likely to maintain a higher level of spending than **Struggling Retirees** or **"Just-Getting-By" Retirees** (Figure 15).

As shown, 1 in 5 **Average Retirees** and **Comfortable Retirees** (1 in 4 **Affluent Retirees**) spend less than $2,000 a month. In contrast, more than half of **Struggling Retirees** and **"Just-Getting-By" Retirees** (57 and 76 percent respectively) do so. Likewise, one-fourth of **Affluent Retirees** and **Comfortable Retirees** said they spent between $3,000 and $3,999 a month, while only 14 percent of **Struggling Retirees** and 3 percent of **"Just-Getting-By" Retirees** said the same. Interestingly, **Affluent Retirees** were not the most likely to report spending more than $3,000 per month: **Average Retirees** were more likely to do so, and **Comfortable Retirees** were equally likely to do so. Indeed, 49 percent of **Affluent Retirees** reported spending $2,999 or less per month, which is in line with 52 percent of **Average Retirees** reporting this and 50 percent of **Comfortable Retirees** doing so.

Figure 15
Monthly Spending and Retirement Profiles



Source: EBRI's Spending in Retirement Survey.

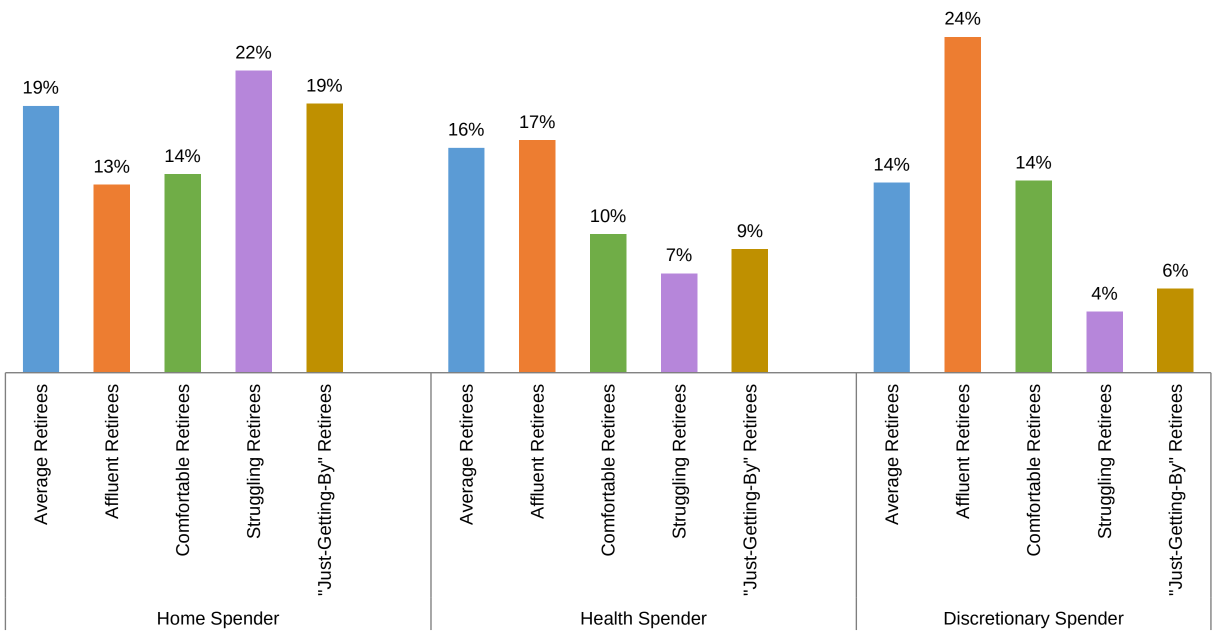
In previous research, EBRI identified three unique retirement spending types: Home Spenders, defined as retirees who devote around 60 percent of their budget toward housing expenses; Health Spenders, defined as those spending 20 percent or more on health expenses; and Discretionary Spenders, defined as those allocating 25 percent or more of their total spending on the entertainment, gifts, and contribution categories. Applying these same categories to our retiree profiles, we find that **Struggling Retirees** are the most likely to be Home Spenders and the least likely to be Health Spenders or Discretionary Spenders (Figure 16).

We also find that, while **Affluent Retirees** may not necessarily be spending a great deal more than their **Average** or **Comfortable** counterparts, they are more likely to be Discretionary Spenders. Nearly 1 in 4 **Affluent Retirees** would be categorized as Discretionary Spenders, compared with 14 percent of both **Average** and **Comfortable Retirees**.

They also had the highest probability of being Health Spenders, though they had the lowest likelihood of being Home Spenders.

"Just-Getting-By" Retirees were more likely to be Home Spenders (19 percent) than Health Spenders (9 percent) or Discretionary Spenders (6 percent). And when it comes to **Comfortable Retirees**, there were equal proportions (14 percent) of Home Spenders and Discretionary Spenders, while the likelihood of being a Health Spender was lower at 10 percent. Compared with that, 1 in 5 **Average Retirees** was a Home Spender, while 16 and 14 percent of them were Health or Discretionary Spenders, respectively.

Figure 16
Budget Allocation and Retirement Profiles



Source: EBRI's Spending in Retirement Survey.

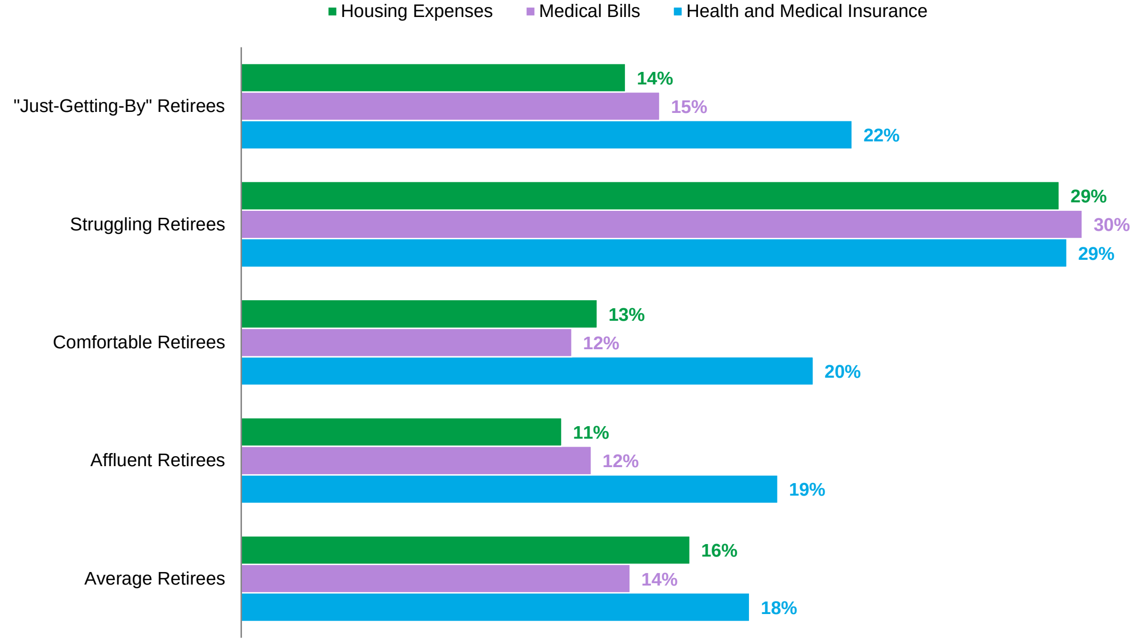
In the survey, households were asked to rate how their expectations of spending on the following categories in retirement compared with reality: housing expenses, medical bills, and health and medical insurance. Figure 17 shows that, more than any other expense category, "health and medical insurance" costs were cited as being higher than expected by all groups.

However, **Struggling Retirees** were most likely to find this (29 percent), and about the same proportion also cited housing expenses and medical bills as more expensive than expected — more than any other group.

Furthermore, **Struggling Retirees** were the most likely (48 percent) to report that their current level of spending exceeds what they can afford, compared with the other groups, in which only 12 percent or less felt this way (Figure 18). In contrast, the other challenged group — **"Just-Getting-By" Retirees** — was the most likely to say that their current level of spending is just about the right amount. **Comfortable Retirees** came in second in terms of reporting they were spending the right amount.

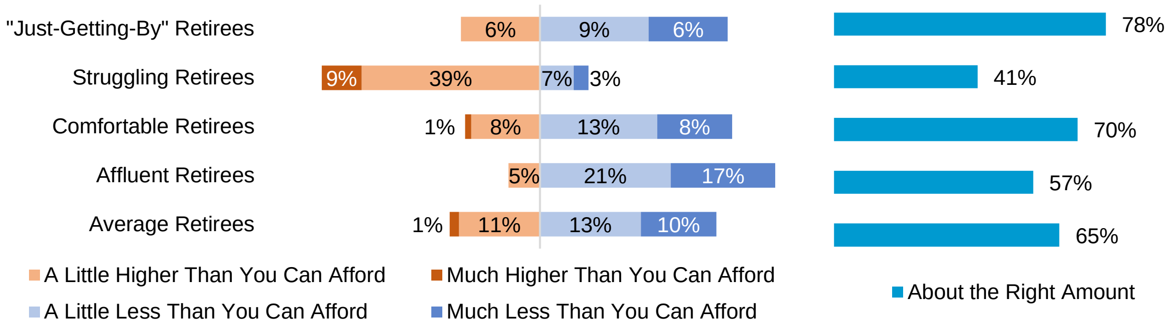
Finally, **Comfortable Retirees, Struggling Retirees**, and **"Just-Getting-By" Retirees** were more likely to say that they follow a monthly budget to some or a great extent than **Average Retirees** or **Affluent Retirees** (Figure 19). This could be because, as discussed earlier, most retirees in these three groups rely heavily on Social Security as a source of income compared with **Average Retirees** and **Affluent Retirees**.

Figure 17
Share Describing Spending on the Following Categories Higher Than Expected



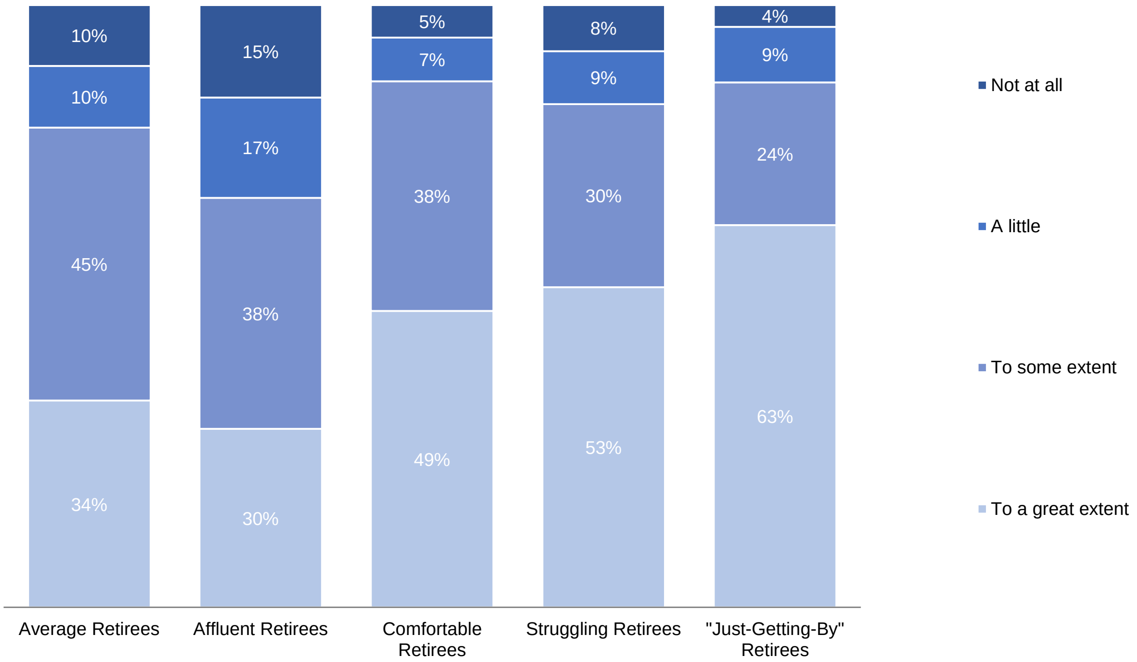
Source: EBRI's Spending in Retirement Survey.

Figure 18
Self-Reported Current Level of Spending



Source: EBRI's Spending in Retirement Survey.

Figure 19
Self-Reported Commitment to a Monthly Spending Plan



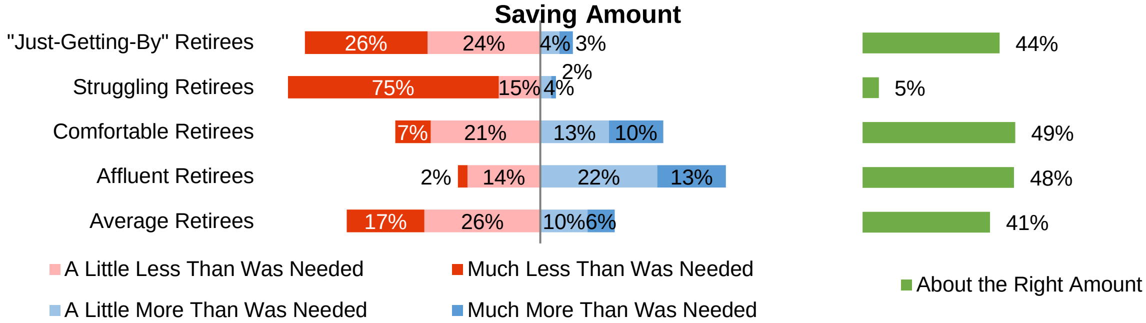
Source: EBRI's Spending in Retirement Survey.

Retirement Saving; Spending, Choices, and Approaches

Retirement Saving

Participants were asked to rate the amount of money they had saved for retirement during their working years. The retirement savings confidence among **Struggling Retirees** was the lowest, with only 5 percent believing they had saved the right amount for retirement, and 3 out of 4 respondents in this group believing they had saved much less than necessary (Figure 20).

Figure 20
Self-Reported Status of Retirement Saving Amount



Source: EBRI's Spending in Retirement Survey.

In comparison, 1 out of 2 **"Just-Getting-By" Retirees** said they had saved enough money for retirement or even more than was needed, although 1 in 4 reported saving much less than was needed.

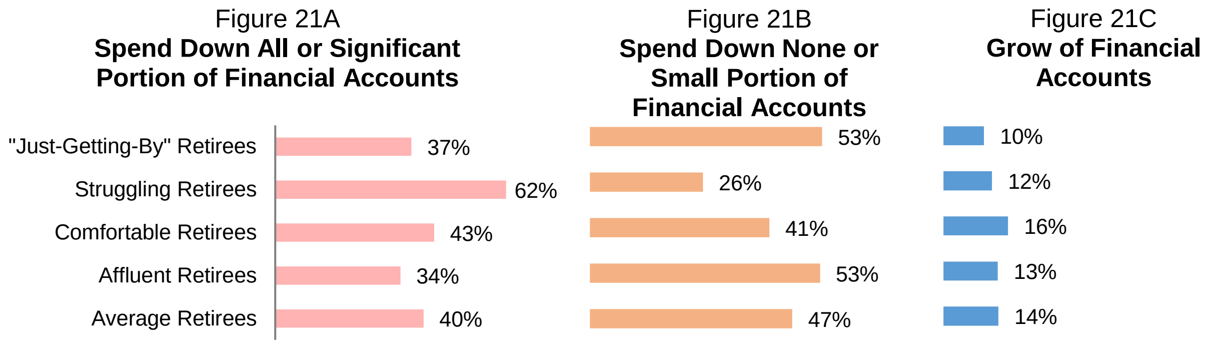
Average Retirees came in third in terms of retirement savings confidence: 57 percent thought they had saved enough or more than enough for retirement, while 26 and 17 percent said their retirement savings were just a little or a lot short, respectively.

In comparison, **Comfortable Retirees** were a bit more confident, with 72 percent saying that they had saved enough or more than was necessary and only 7 percent saying they had saved much less than was needed.

Only 2 percent of **Affluent Retirees** reported saving much less than was needed, while 37 percent thought they had saved a little or much more than was necessary and 48 percent considered their saving amount to be adequate.

Spend-Down Plans and Approaches

An ongoing puzzle, documented in prior EBRI research, is the propensity for many retirees to NOT seek to spend down their financial assets, with some even seeking to grow assets in retirement. This propensity is reaffirmed in the current study, with as much as two-thirds of **Affluent Retirees** reporting they seek to maintain, spend only a small portion, or grow financial assets. Sixty-three percent of **"Just-Getting-By" Retirees**, 61 percent of **Average Retirees**, 57 percent of **Comfortable Retirees**, and even 38 percent of **Struggling Retirees** reported this (Figures 21A-C).

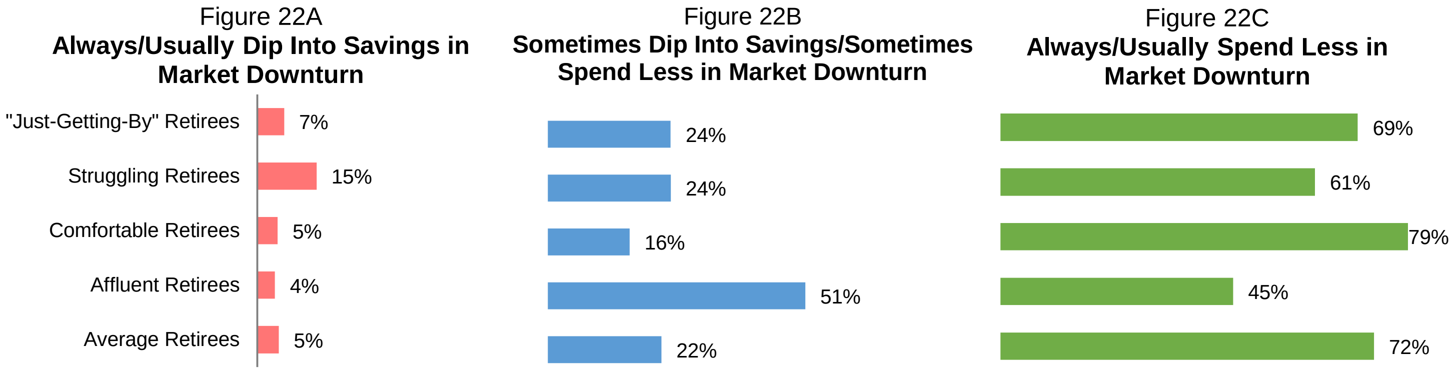


Source: EBRI's Spending in Retirement Survey.

In keeping with this, retirees adjust their spending during market downturns (Figures 22A-C). **Comfortable Retirees** were the most likely to say they always or usually spend less (79 percent), followed by **Average Retirees** (72 percent), **"Just-Getting-By" Retirees** (69 percent), and **Struggling Retirees** (61 percent).

Overall, a small percentage of retirees across all groups said that they are always or usually drawing on their savings; however, **Struggling Retirees** were the most likely to say so (15 percent).

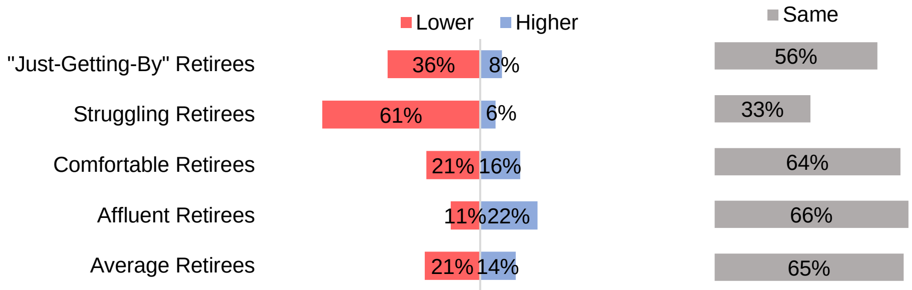
Affluent Retirees seem to be the most flexible in their spending approach: 45 percent of them claimed to always or usually spend less, while half claimed to sometimes spend out of their savings and other times spend less.



Retirement Satisfaction

Compared with their working lives, more than half of retirees in all groups, except **Struggling Retirees**, believed their living standards had remained the same (Figure 23). Among **Struggling Retirees**, only 33 percent agreed that their standard of living in retirement was the same as during their working life, and 6 out of 10 believed their standard of living had declined — the highest percentage of all groups.

Figure 23
Self-Comparing of Standard of Living in Retirement vs. Working Life

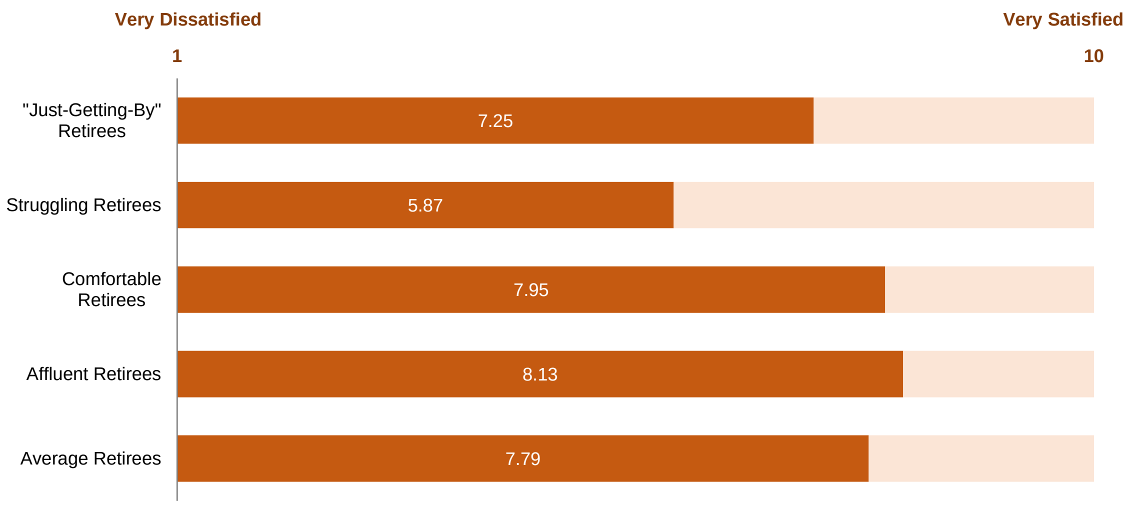


Source: EBRI's Spending in Retirement Survey.

Coming in second in terms of reduced standard of living during retirement were **"Just-Getting-By" Retirees**, at a much lower 36 percent. **Average Retirees** and **Comfortable Retirees** were equally likely to say their standard of living in retirement was lower (21 percent) and about equally likely to say that their standard of living was higher (14 percent and 16 percent respectively). One in ten **Affluent Retirees** believed their standard of living had declined in retirement, but twice that number (22 percent) believed that their living standards had improved since retiring.

Similarly, when retirees were asked to rate their level of satisfaction with retirement life on a scale of 1 (very dissatisfied) to 10 (very satisfied), on average, **Affluent** and **Comfortable Retirees** gauged their satisfaction about equally at 8.2 and 8, respectively. **Average Retirees** came in slightly lower at 7.8. Not surprisingly, **Struggling Retirees** scored the lowest, at 5.9. What is surprising is the difference between these retirees and the **"Just-Getting-By" Retirees**, who scored satisfaction in retirement at 7.2 on average (Figure 24).

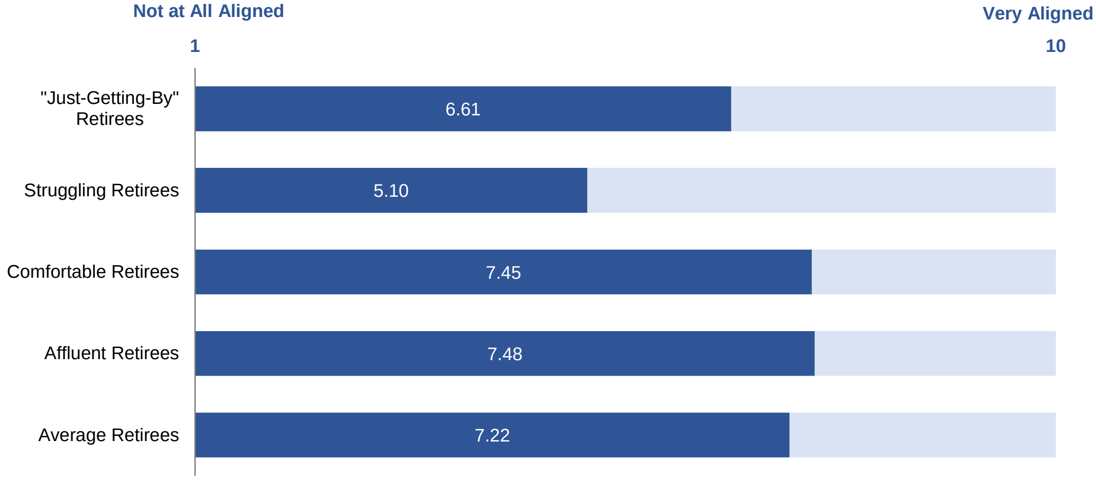
Figure 24
Average Score of Satisfaction With Retirement Life



Source: EBRI's Spending in Retirement Survey.

Also not surprisingly, **Struggling Retirees** gave a low rating when it came to alignment of their current retirement life with their expectations on a scale from 1 (not at all aligned) to 10 (very aligned). Indeed, **Struggling Retirees** were at the bottom of the scale with an average score of just 5.1, while the average scores in other groups ranged from 6.6 for **"Just-Getting-By" Retirees** to 7.5 for **Affluent Retirees** (Figure 25).

Figure 25
Average Score of Alignment of Current Retirement Life With What Expected/Planned



Source: EBRI's Spending in Retirement Survey.

Conclusion

The findings of this study show that first, households' debt status has a significant influence on retirement outcomes. Those with no debt or manageable levels of debt, as well as those who owned their homes free from mortgages, were more likely to have a better retirement outcome across all measures. While most retirees reported no significant unmanageable debt, debt status was a distinguishing factor for **Struggling Retirees** who had the worst retirement experience among retiree groups. The **Struggling Retirees** were far more likely to have debt and report their debt as unmanageable compared with the **"Just-Getting-By"** Retirees, who had similar levels of financial assets, income, and demographics. Moreover, the odds of mortgage-free homeownership for **Struggling Retirees** were half those of **"Just-Getting-By"** retirees.

Second, the higher levels of financial means did not make **Affluent Retirees** the most likely to report spending more than $3,000 per month. **Average Retirees** were more likely to do so, and **Comfortable Retirees** were equally likely to do so. In addition, the likelihood of the **Average** and **Comfortable Retirees** having a monthly expenditure of $2,000–$4,000 was comparable to that of the **Struggling Retirees**, despite their significantly lower financial means. These potential signs of retirees' reluctance to spend were confirmed in the survey findings, where most retirees said they prefer to spend none or only a small portion of their financial accounts, and even if they incur a loss due to a market downturn, the majority prefer to spend less rather than to tap their savings. Also, though most respondents were able to maintain or improve their living standards, they still think they should have saved more for retirement.

The reason that this generation of retirees wishes to retain assets in retirement is probably in part because they are able to cover their expenses with their regular income alone and do not need to draw down assets. A behavioral bias could also contribute to their inability to switch gears from accumulation to decumulation. But more importantly, it could be that they do not know how to determine a sustainable withdrawal rate that takes into account the uncertainties they may encounter over their remaining lifetime, which makes them extremely risk averse. Taking into account each of these issues has implications for plan sponsors and advisers, ranging from the type of retirement products offered to providing necessary tools and education for retirees to manage their assets in retirement. This becomes even more crucial as the next generation of retirees rely on defined contribution plans in place of traditional pensions and need to generate a sufficient and sustainable retirement income from their retirement savings.

References

Banerjee, Sudipto, "Asset Decumulation or Asset Preservation? What Guides Retirement Spending?," *EBRI Issue Brief*, no. 447 (Employee Benefit Research Institute, April 2018).

Ebrahimi, Zahra, "Older Americans' Spending Profiles: One Size Does Not Fit All," *EBRI Issue Brief*, no. 520 (Employee Benefit Research Institute, December 2020).

Lucas, Lori, "Why Do People Spend the Way They Do in Retirement? Findings From EBRI's Spending in Retirement Survey," *EBRI Issue Brief*, no. 522 (Employee Benefit Research Institute, January 2021).

Madamba, Anna, Utkus, Stephen P, and Ameriks, John. "Retirement Income among Wealthier Retirees," Vanguard Research, May 2014.

Endnotes

[1] Ebrahimi, Zahra, "How Do Retirees' Spending Patterns Change Over Time?," *EBRI Issue Brief*, no. 492 (Employee Benefit Research Institute, October 2019).

[2] Cluster analysis is a class of analytic techniques that are used to classify observations into a finite and, ideally, small number of groups based on multiple variables. The algorithm in Agglomerative Hierarchical Clustering, used in this study, begins by treating each observation as a separate cluster. Then, it repeatedly runs the following two steps: First, it determines the closest two clusters based on a measure of similarity and second, it merges the two most similar clusters. This iterative process continues until all the clusters are merged together and a hierarchy of clusters is created.

[3] The survey question asks: **[IF HAS DEBT]** How would you describe your current level of debt?

No debt..1
An easily manageable level of debt..2
A manageable level of debt..3
An unmanageable level of debt..4
A crushing level of debt..5

EBRI Issue Brief is registered in the U.S. Patent and Trademark Office. ISSN: 0887–137X/90 0887–137X/90 $ .50+.50