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## New Combined Dataset Reveals Unique Insights into Income and Spending in Retirement:

### Analysis of Actual Behavior Provides New Insights into Require Minimum Distributions, Annuities, Spending Gaps, and Risk-Taking in Retirement

**WASHINGTON – June 24, 2021 –** EBRI and J.P Morgan Asset Management have released their second joint research report aimed at answering important policy questions impacting today's and future retirees.

"In Data There Is Truth: Understanding How Households Actually Support Spending in Retirement" uses a unique data source that tracks both *actual* income and spending and utilization of both 401(k)s and IRAs, to offer a holistic view of how a retired household supports their spending in retirement.

A key finding of the report is that a vast majority of retired households use required minimum distributions (RMDs) to generate income from their retirement wealth. Around 80% who are younger than RMD age are not taking withdrawals and around 84% of those subject to RMDs only took the required amount. Of those households that deviate from the RMD schedule, those households taking an IRA withdrawal prior to reaching the age for RMDs appear to need the additional income to support their current consumption levels. However, that may not be the case for households taking more than the required minimum distribution after age 70.5. Specifically, for those taking the IRA distribution prior to the required age, the average "excess" income is relatively small and never exceeds $2,300. In contrast, the "excess" income for those taking more than the RMD is never less than $10,200.

"Findings like these—that are based on actual observed behavior of those taking RMDs—are important as policymakers consider changes to the required age of taking minimum distributions," said Jack VanDerhei, EBRI Director of Research and author of the report.

Additional key findings include:

- Fewer than expected households in the sample with "spending gaps" were in a position to safely increase post-retirement expenditures. Specifically, depending on the marginal tax rate, the analysis finds that between 15 and 24 percent of the households with spending gaps would have IRA balances that last until age 100.

- Across observed retirement wealth quartiles, there is more spending at almost all ages for households who have at least some annuities and/or pensions. And, the impact is greatest for households with lower observable retirement wealth: for the lowest and second lowest wealth quartile, the median spending with some annuities and/or pensions is larger by $10,740 and $10,450, respectively.
- There is a very significant overall decrease in asset allocation equity concentration after rollover from a 401(k) to an IRA at retirement age at the median level.
- When it comes to the most conservative 401(k) investors, those without annuities and/or pensions had a slightly larger equity concentration in their IRA portfolios after rollover than they had in their 401(k) plans; however, those with some annuities and/or pensions had a *significantly* larger increase in equity concentration.

"With more and more Baby Boomers entering retirement, it is critically important to understand how they are spending their money, and what factors are influencing their spending decisions," said Kelly Hahn, Defined Contribution Strategist for JPMorgan Asset Management. "In future research, EBRI and JPMAM will continue to harness data to gain a deeper understanding of how households behave in saving for, and spending in, retirement and what factors drive those behaviors."

"In Data There Is Truth: Understanding How Households Actually Support Spending in Retirement" can be downloaded from ebri.org.

About the EBRI/JPMC Research

The paper is based on research from a collaboration of Employee Benefit Research Institute (EBRI), with more than four decades of research on retirement policy, and JPMorgan Chase & Co., which serves nearly half of U.S. households.[i] As of 2018, EBRI data on more than 23 million 401(k) and IRA accounts detail such variables as account balances, asset allocation and post-retirement withdrawals. JPMorgan Chase data includes a comprehensive view of total household spending through all payment mechanisms (credit card, debit card, cash and checking) and sources of income including Social Security, annuity, pensions, etc. for around 21 million customer households.[ii]

Commitment to Privacy and Security

JPMorgan Chase has adopted rigorous security protocols and checks and balances to ensure all customer data are kept confidential and secure. Strict protocols are informed by statistical standards employed by government agencies. Additionally, the firm's work with technology, data privacy, and security experts will help maintain industry leading standards.

JPMorgan Chase also has put in place privacy protocols for its researchers and only allows aggregated data to be published. All unique identifiable information – including names, account numbers, addresses, dates of birth, and social security numbers – is removed.

No EBRI data was transferred to JPMorgan Chase, and the data privacy of participants and contractual relationships with recordkeepers have been carefully protected. EBRI has no access to personally identifiable information.

## About EBRI

The Employee Benefit Research Institute (EBRI) was founded in 1978. Its mission is to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education. EBRI is the only private, nonprofit, nonpartisan, Washington, DC-based organization committed exclusively to public policy research and education on economic security and employee benefit issues.

EBRI's membership includes a cross-section of pension funds; businesses; trade associations; labor unions; health care providers and insurers; government organizations; and service firms. The 401(k) universe is a joint collaboration between EBRI and the Investment Company Institute.

This research paper was produced through a collaboration between J.P. Morgan Asset Management and the Employee Benefit Research Institute (EBRI), a Washington, D.C.-based organization committed exclusively to public policy research and education on economic security and employee benefit issues.

In an ongoing collaborative effort, the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI) maintain the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project, which is the largest, most representative repository of information about individual 401(k) plan participant accounts. ICI is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. While this paper uses data from the EBRI/ICI database, ICI did not participate in the research collaboration between EBRI and JPMAM and was not involved in the writing of this paper.

## About J.P. Morgan Asset Management

J.P. Morgan Asset Management, with assets under management of USD 1.9 trillion (as of 31 March 2020), is a global leader in investment management. J.P. Morgan Asset Management's clients include institutions, retail investors and high net worth individuals in every major market throughout the world. J.P. Morgan Asset Management offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity. JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of USD 2.7 trillion (as of 31 December 2019) and operations worldwide. Information about JPMorgan Chase & Co. is available at www.jpmorganchase.com.

J.P. Morgan Asset Management is the marketing name for the asset management businesses of JPMorgan Chase & Co. and its affiliates worldwide.



**DATA PRIVACY:** We have a number of security protocols in place which are designed to ensure all customer data are kept confidential and secure. We use reasonable physical, electronic, and procedural safeguards that are designed to comply with federal standards to protect and limit access to personal information. There are several key controls and policies in place which are designed to ensure customer data are safe, secure and anonymous: (1) Before J.P. Morgan Asset Management (JPMAM) receives the data, all selected data is highly aggregated and all unique identifiable information, including names, account numbers, addresses, dates of birth and Social Security numbers, is removed. (2) JPMAM has put privacy protocols for its researchers in place. Researchers are obligated to use the data solely for approved research and are obligated not to re-identify any individual represented in the data. (3) JPMAM does not allow the publication of any information about an individual or entity. Any data point included in any publication based on customer data may only reflect aggregate information. (4) The data are stored on a secure server and can be accessed only under strict security procedures. Researchers are not permitted to export the data outside of J.P. Morgan Chase's (JPMC) systems. The system complies with all JPMC Information Technology Risk Management requirements for the monitoring and security of data. (5) JPMAM provides valuable insights to policymakers, businesses and financial professionals, but these insights cannot come at the expense of consumer privacy. We take every precaution to ensure the confidence and security of our account holders' private information.

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[i] Chase serves nearly half of America's households with a broad range of financial services, including personal banking, credit cards, mortgages, auto financing, investment advice, small business loans and payment processing. Learn more.

[ii] Data privacy and contractual relationships with recordkeepers have been carefully protected.