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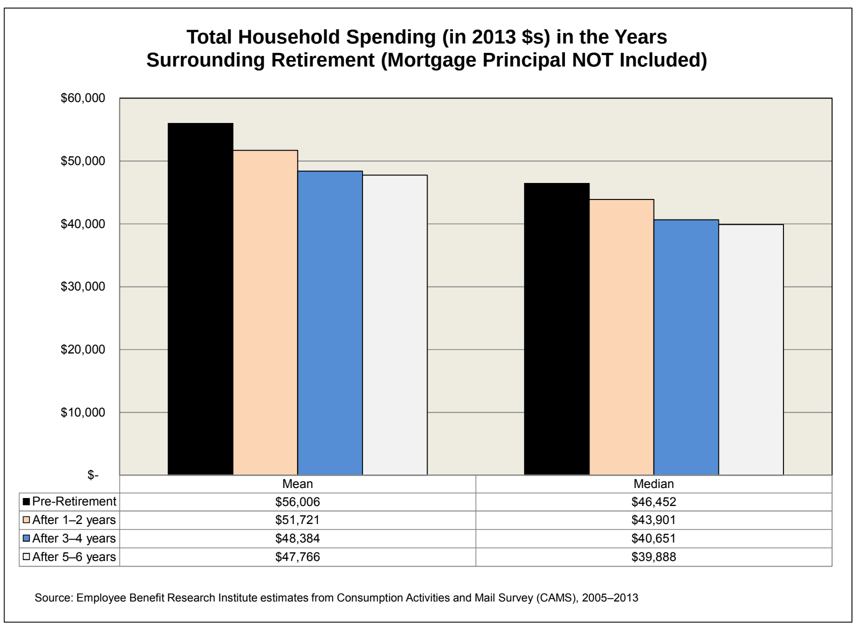
New Research from EBRI:

How Household Spending Changes in Retirement

WASHINGTON—On average, households spend less once they retire—but not all households, and not in the same ways.

New research from the nonpartisan Employee Benefit Research Institute (EBRI) finds that while average spending in retirement falls in the first two years in retirement, nearly half (45.9 percent) of retired households actually spent more than they did just before retirement. That declines over time, and by the sixth year of retirement, just a third (33.4 percent) spend more than they did preretirement.



"We also found that households that spent more in the first two years of retirement were not exclusively high-income households," said Sudipto Banerjee, research associate at EBRI and author of the report. "Rather, they were distributed across all income levels."

EBRI's analysis examines how household spending changes in the immediate years following retirement by analyzing the spending patterns of a fixed group of households up to six years after they retire. It uses data from the Health and Retirement Study (HRS), which is a survey of a nationally representative sample of U.S. households with individuals over age 50 and is the most comprehensive survey of older Americans in the nation and covers topics such as health, assets, income, and labor-force status in detail. Additional data come from Consumption and Activities Mail Survey (CAMS), which was started in 2001 as a supplement to the HRS and contains detailed household spending information.

Among the major findings in the EBRI report:

- In the first two years of retirement, median household spending dropped by 5.5 percent from preretirement spending levels, and by 12.5 percent by the fourth year of retirement. But the spending reduction slowed down after the fourth year.
- In the first two years of retirement, 2 in 5 households (39.3 percent) spent less than 80 percent of their preretirement spending. By the sixth year of retirement, a majority (53.1 percent) of households did so.
- In the first two years of retirement, 28.0 percent of households spent more than 120 percent of their preretirement spending. By the sixth year of retirement 23.4 percent of households still did so.
- The median household has a home mortgage payment before retirement but none after retirement, indicating paying off mortgage could be a factor in the timing of retirement.

The full report, "Change in Household Spending After Retirement: Results from a Longitudinal Sample," is published in the November 2015 *EBRI Issue Brief* and online at www.ebri.org
EBRI's publications can also be accessed through mobile device apps, available in the Apple store for Apple devices and Google Play for Android devices.