EBRI FAST Facts

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A Longitudinal Look at Retirement Ages

Employees' decisions on when to retire are vital for their retirement success, and understanding these decisions is important for making sound policy legislation and designing employee benefit plans.

In cross-sectional survey analyses, EBRI's research has consistently shown that at most half of retirees self-report they retired when they planned to retire.[1] Among the retirees who reported retiring earlier than planned, many retired because of health, disability, company reorganization, or caregiving for loved ones. Early retirement can have a significant impact on a retiree's likelihood of achieving retirement success, particularly when accumulated savings fail to maintain the preretirement standard of living.

However, new analysis of a longitudinal survey — i.e., one where the same individuals are tracked over a period — indicates that cross-sectional (or point-in-time) inquiries on retirement experience may understate the share who retire later than planned, potentially representing hindsight or recall bias from survey respondents. Longitudinal analyses using Health and Retirement Study (HRS) data show that over half (53 percent) of American retirees first retired earlier than they reported expecting to do so in their 50s, in the 1992 survey wave (Figure 1).[2] Only 1 in 6 (16 percent) retired at the age they expected. Including those who accurately predicted their retirement age, 36 percent of the sample retired within +/- one year of accuracy, 49 percent retired within +/- two years of accuracy, and 64 percent retired within +/- three years of accuracy. The average difference between actual and expected retirement ages was -4.3 years (retired 4.3 years earlier than expected).

About the Data

The Health and Retirement Study (HRS), conducted by the Institute for Social Research at the University of Michigan, is a nationally representative longitudinal survey of more than 37,000 individuals over the age of 50 from 13,000 households in the United States. HRS has surveyed the initial group of participants biennially since 1992. The analysis herein examines 3,441 HRS primary respondents from that initial group who retired between 1992 and 2018. The expected retirement age used was calculated using the respondents' expected retirement year recorded in the 1992 wave. The actual retirement age was their first self-reported retirement age.

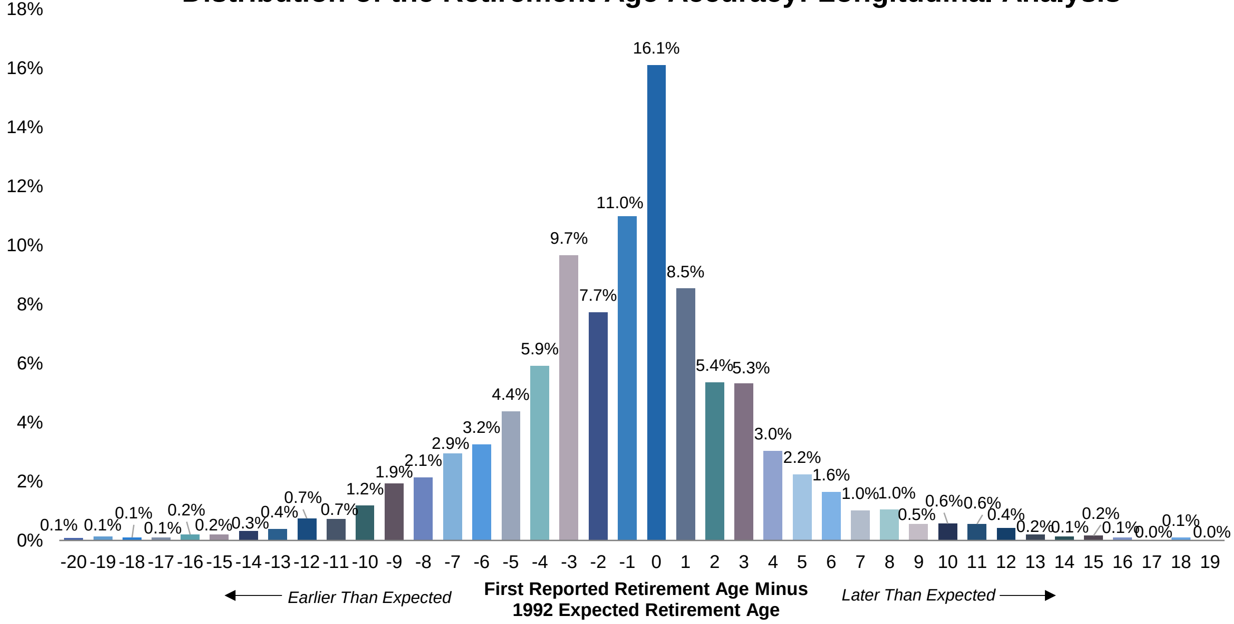
More information about the HRS is available here: https://hrs.isr.umich.edu/about.

[1] EBRI/Greenwald Retirement Confidence Surveys, 2011 – 2023; 2023 Retirement Confidence Survey Fact Sheet 2, "Expectations About Retirement," https://www.ebri.org/docs/default-source/rcs/2023-rcs/rcs_23-fs-2.pdf; and Bearden, Bridget, "Spending in Retirement 2022," *EBRI Issue Brief*, no. 572 (Employee Benefit Research Institute, October 6, 2022).

[2] Since individuals may move in and out of the work force, they could technically have more than one retirement. This analysis focuses on the individual's first recorded retirement.

Figure 1

Distribution of the Retirement Age Accuracy: Longitudinal Analysis

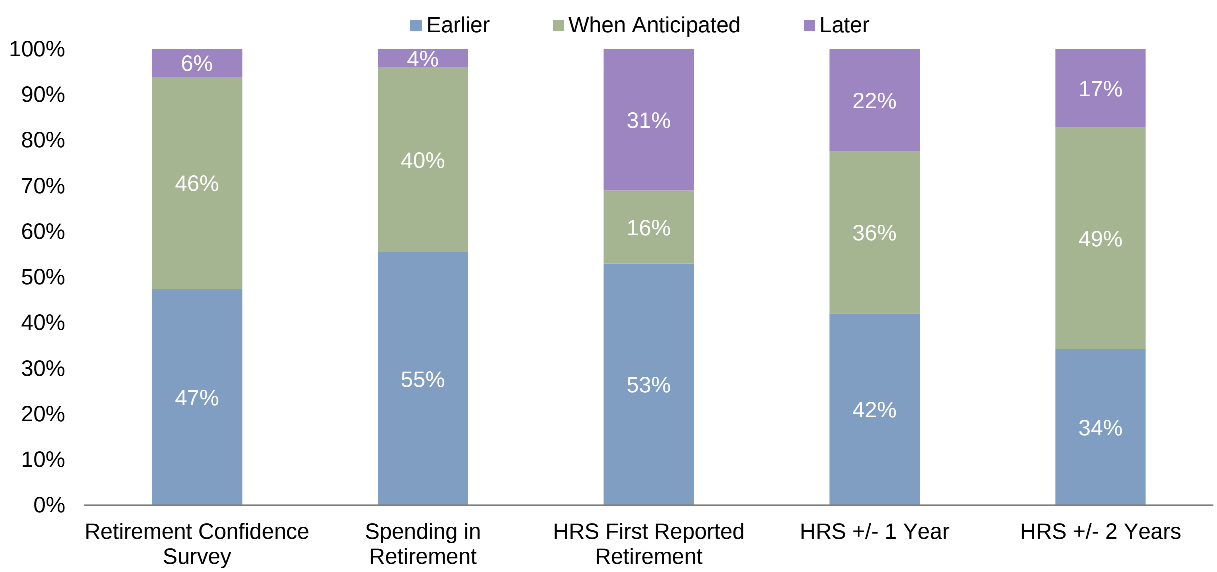


Source: Longitudinal analysis of Health and Retirement Study, n=3,441 who retired between 1992 and 2018.

Both the EBRI/Greenwald Research Retirement Confidence Survey (RCS) and EBRI's Spending in Retirement Survey ask retirees to recall whether their retirement plans or expectations aligned with reality, and while the sample and question design are modestly different across the RCS, Spending in Retirement Survey, and HRS, notable variations emerge among the surveys among those who reported they retired *later than planned or expected*.[3] This supports the notion that many late-career workers are unlikely to accurately forecast their retirement date and could benefit from planning assistance to ensure that their planning includes a buffer zone of several years.

Figure 2

Comparing Cross-Sectional vs. Longitudinal Retirement Ages



Source: 2022 EBRI/Greenwald Retirement Confidence Survey, n=1,132; 2022 EBRI Spending in Retirement Survey, n= 1,998; and Health and Retirement Study, n=3,441 who retired between 1992 and 2018.

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[3] The RCS asked, "Did you retire…?" Response options were "Earlier than planned," "About when planned," and "Later than planned." The 2022 Spending in Retirement Survey asked, "Did you retire earlier or later than expected?" Response options were "Earlier than expected," "About when expected," and "Later than expected."

Conclusion

Understanding that many retirement planning tools integrate a self-reported retirement age into their design, benefits providers and employers may consider incorporating retirement uncertainty (such as the discrepancy between retirement expectations and reality discussed in this *Fast Fact*) into the tools' design or output as well. The more accurately participant-facing calculators and financial plans represent the range of outcomes with associated probabilities, the better they can help workers achieve a successful retirement.

In addition, since some retirees go back to work after their first retirement, either full time or part time, their retirement well-being could be significantly impacted by their decisions to reenter the work force. Policymakers, employers, and retirement service providers may also need to take into consideration this potential for re-entry into the work force. Future studies could focus on the similarities and differences between these retirement definitions and investigate the patterns in which retirees stop working and reenter the work force one or more times.

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