

The Impact of Disability on Spending in Retirement

By Bridget Bearden, Ph.D., Employee Benefit Research Institute

AT A GLANCE

One in three Americans ages 65 and over have at least one disability. Older Americans with disabilities and their surrounding caregivers face a myriad of physical, financial, and mental health challenges directly and indirectly related to disability status. This *Issue Brief* examines the prevalence of disability among older adults and the impact of being affected by disability on various aspects of retirement, from preparedness to debt levels and monthly spending.

Some of the key findings include:

- More than half (61 percent) of disability-affected retirees said they saved less than was needed for retirement, as compared with 41 percent of non-disability-affected retirees.
- Disability-affected retirees were more likely to say they retired earlier than expected (74 percent) vs. non-disability-affected retirees (49 percent).
- Disability-affected retirees were more likely to start off retirement with fewer assets and subsequently have lower median and average values of household financial assets than non-disability-affected retirees. Non-disability-affected retirees have 2.3 times the average current assets of disability-affected retirees.
- Disability-affected retirees were less likely to report that they have an “easily manageable level of debt” and more likely to report having debt outstanding across all types of debt as compared with non-disability-affected retirees. Credit card and medical debt stood out as the largest differences with respect to debt prevalence.
- Fifty-seven percent of disability-affected retirees spend less than \$2,000 each month as compared with 45 percent of non-disability-affected retirees. Disability-affected retirees reported spending more on housing and out-of-pocket medical costs and less on entertainment and other expenses compared with non-disability-affected retirees.
- Disability-affected retirees were more likely (36 percent) to feel their current spending level is higher than they can afford as compared with non-disability-affected retirees (24 percent).
- Disability-affected retirees were more likely to report difficulty with budgeting decisions as compared with non-disability-affected retirees. On average, 1 in 6 disability-affected retirees reported difficulty making budgeting decisions compared with 1 in 10 non-disability-affected retirees.
- Disability was also correlated with lower levels of well-being across the measures of alignment, satisfaction, and standard of living. In addition, disability-affected retirees were three times more likely to be seeking treatment for depression/anxiety (27 percent) than non-disability-affected retirees (9 percent).

All of these statistics together show that disability has a strong impact on individuals’ abilities to manage their finances and cover expenses while also taking a toll on their overall well-being. Employers and benefits providers can improve outcomes and quality of life in retirement for those affected by disability by being inclusive in programs and communications.

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The Impact of Disability on Spending in Retirement

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Introduction

The presence of disability within a household can have a significant impact on an employee’s current and future financial situation, affecting an individual’s ability to save in the short term and more rapidly drawing on financial resources in the longer term. Furthermore, the impact of disability compounds over time, resulting in a more substantial strain throughout the individual’s life. These factors contribute to a unique set of challenges faced by retirees affected by disability in addition to the challenges faced by all retirees. In order to counteract these difficulties, policymakers and employers can play an important role in implementing tailored solutions that can address the particular needs of this population as they move through the work force and into retirement.

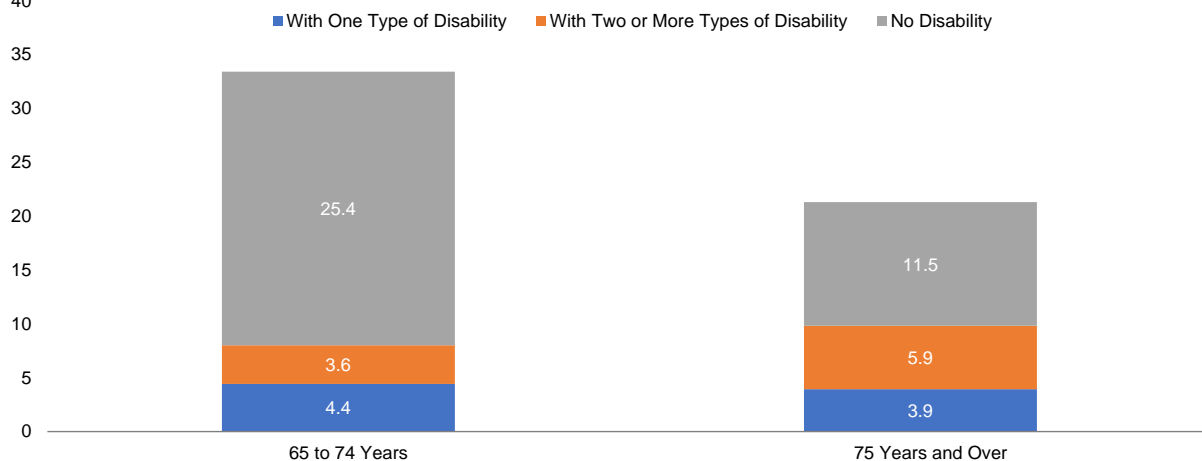
Presenting data from the American Community Survey (ACS) from the U.S. Census Bureau and EBRI’s 2022 Spending in Retirement Survey, this *Issue Brief* examines the prevalence of disability among older adults and the impact of being affected by disability on various aspects of retirement, from preparedness to debt levels and monthly spending.

Prevalence of Disability Among Older Adults

According to the American Community Survey, 42.5 million Americans of all ages, or 13 percent of the entire population, have a disability.¹ The American Community Survey, the Survey of Income and Program Participation, and the Current Population Survey use a six-item set of questions to gauge disability.² Survey respondents may select multiple types of disabilities within the survey. The six disability types are:

1. Hearing difficulty — Deaf or having serious difficulty hearing.
2. Vision difficulty — Blind or having serious difficulty seeing, even when wearing glasses.
3. Cognitive difficulty — Because of a physical, mental, or emotional problem, having difficulty remembering, concentrating, or making decisions.
4. Ambulatory difficulty — Having serious difficulty walking or climbing stairs.
5. Self-care difficulty — Having difficulty bathing or dressing.
6. Independent living difficulty — Because of a physical, mental, or emotional problem, having difficulty doing errands alone such as visiting a doctor’s office or shopping.

Figure 1
U.S. Population, Ages 65 and Over, by Number of Disabilities
(in Millions)

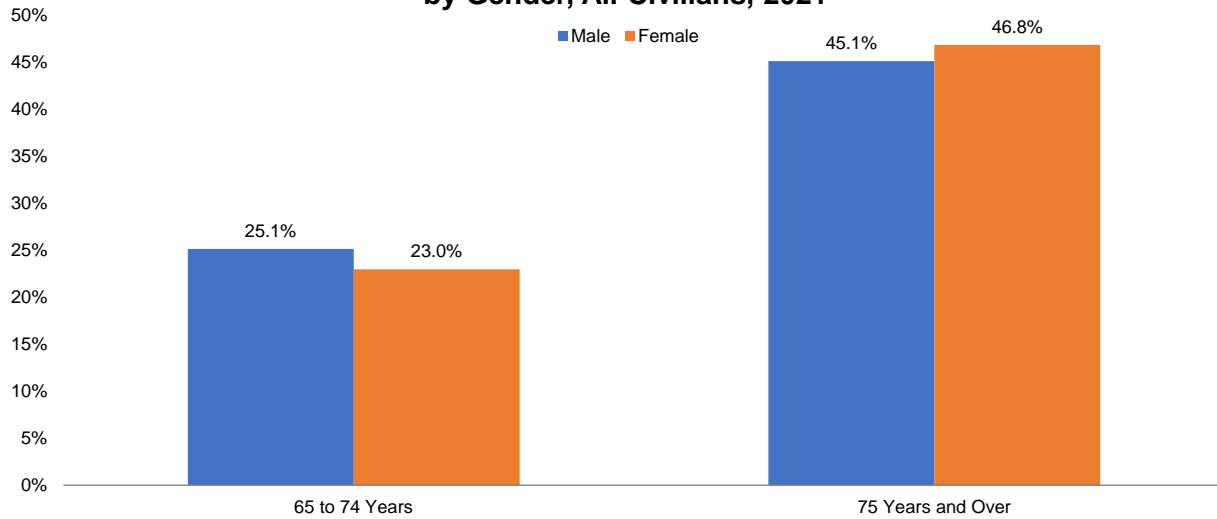


Source: U.S. Census Bureau, American Community Survey. 2021 ACS 1-Year Estimates. Total Civilian Noninstitutionalized Population.

Based on the ACS data, there were 54.7 million individuals ages 65 or older as of 2021 (Figure 1). Of these, 17.8 million (32.5 percent) reported having at least one disability. Among individuals ages 65–74, 4.4 million (13.3 percent) had one type of disability, while 3.6 million (10.7 percent) had two or more types of disabilities. The prevalence of disability increases with age, with 3.9 million (18.5 percent) individuals ages 75 or older having one type of disability and 5.9 million (27.6 percent) having two or more types of disabilities.

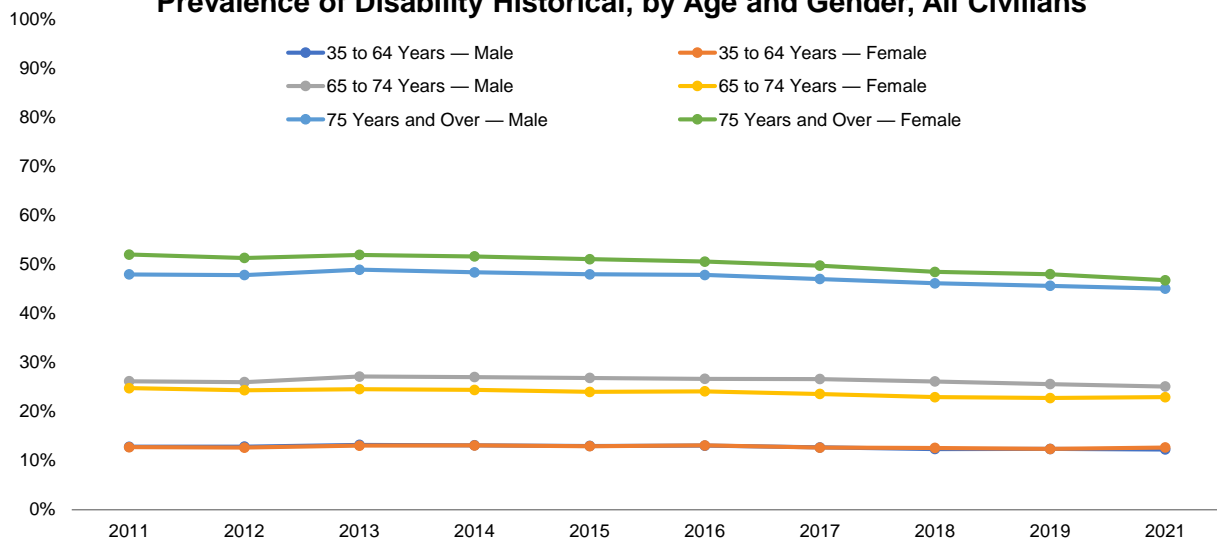
Among individuals ages 65–74, men were significantly more likely to report having at least one disability (25 percent) compared with women (23 percent) (Figure 2). This prevalence switches with the oldest cohort, in which women (47 percent) were significantly more likely to report having at least one disability compared with men (45 percent). Women were more likely to report having ambulatory and independent living difficulty relative to men as age increases.³ Over the last 10 years, the prevalence of disability among the older population has averaged 47 percent among men ages 75 and over and 50 percent among women ages 75 and over (Figure 3). At the same time, there has been a declining trend in the prevalence of disability among those 75 and over, with a 6 percent decline over the 10-year period for men and a 10 percent decline among women.

Figure 2
Prevalence of Disability, Ages 65 and Over
by Gender, All Civilians, 2021



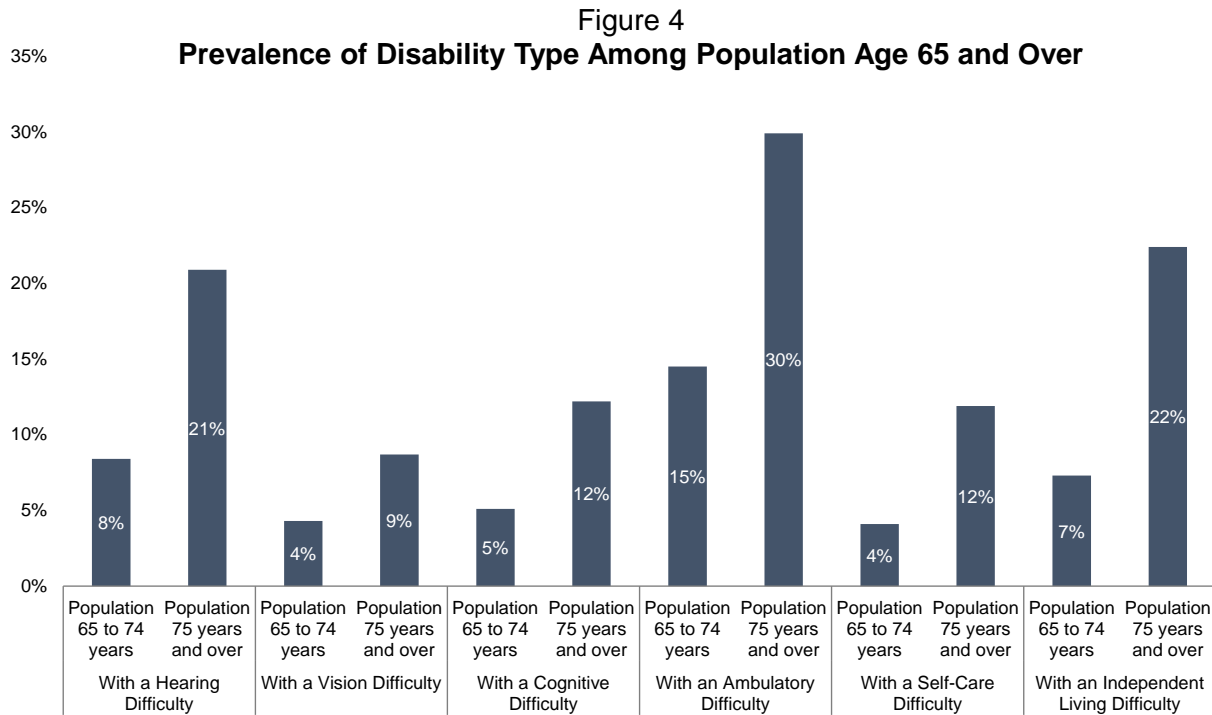
Source: U.S. Census Bureau, American Community Survey. 2021 ACS 1-Year Estimates. Total Civilian Noninstitutionalized Population.

Figure 3
Prevalence of Disability Historical, by Age and Gender, All Civilians



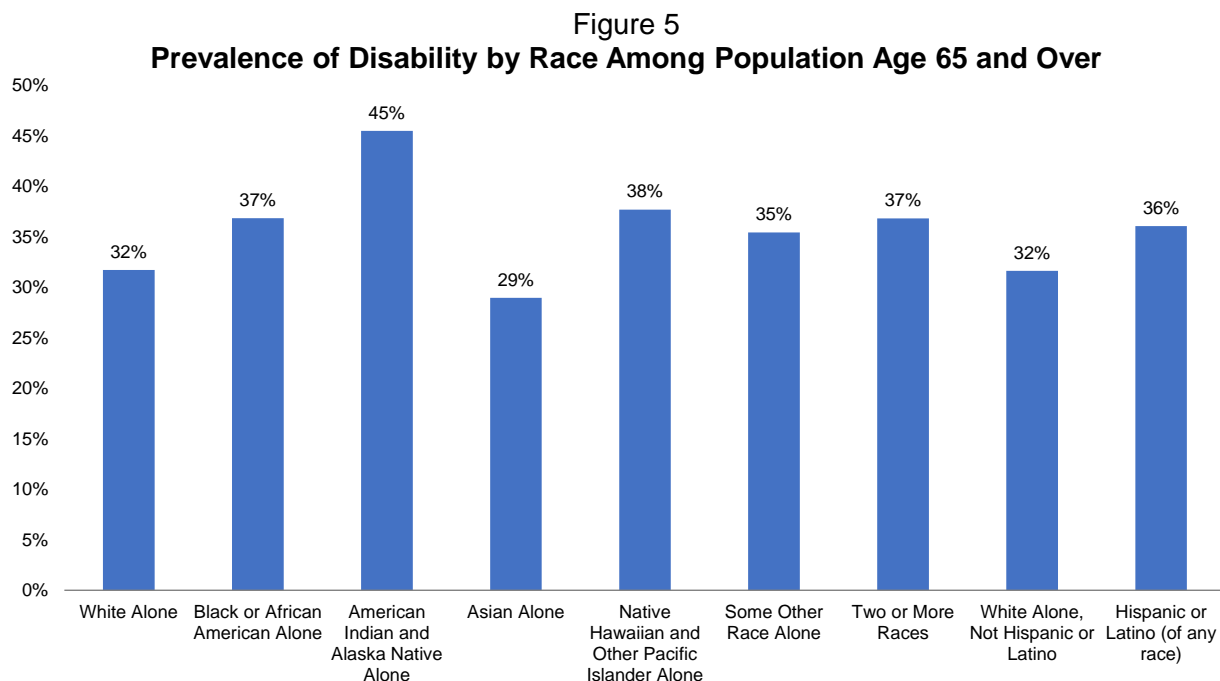
Source: U.S. Census Bureau, American Community Survey. 2021 ACS 1-Year Estimates. Total Civilian Noninstitutionalized Population.

Ambulatory difficulty was the most common disability among older individuals, with 15 percent reporting this type of disability among those ages 65 to 74 years old and 30 percent reporting it among those ages 75 and over (Figure 4). The percentage of the older population with independent living difficulty and hearing difficulty was similar.



Source: U.S. Census Bureau, American Community Survey. 2021 ACS 1-Year Estimates. Total Civilian Noninstitutionalized Population.

Differences in the prevalence of disability are observed by race. Those who are Black or African American alone, American Indian and Alaska Native alone, and Hispanic or Latino were more likely to report a disability as compared with those who are White alone, not Hispanic or Latino (Figure 5).



Source: U.S. Census Bureau, American Community Survey. 2021 ACS 1-Year Estimates. Total Civilian Noninstitutionalized Population.

About EBRI's 2022 Spending in Retirement Survey

Respondents included in this survey were ages 62–75 and considered themselves “retired, not working” or “retired, working part time,” or they had an active labor market status but considered themselves retired from a primary career. The survey sought to understand their current financial situation, understanding of their income sources, sources of information used for retirement transition, and retirement goals and satisfaction.

Overall data are reported on a weighted basis, based on race/ethnicity, income, and gender. The survey included an oversample of 396 Black Americans and 400 Hispanic Americans. Unless otherwise indicated, the data represent a sample size of 1,998, weighted based on gender, race, and income. At 95 percent confidence, the margin of error is 2.2 percent in a similarly sized random sample. Please note percentages in the following tables and charts may not total to 100 due to rounding and/or missing categories.

Defining the Disability-Affected Sample

The Spending in Retirement Survey uses a different methodology than the American Community Survey (ACS) for defining the disability-affected sample. The Spending in Retirement Survey sample classified retirees as disability affected if they receive disability income, report their personal or spousal working status as disability, or retired due to disability or a health problem not related to COVID-19, accounting for 509 weighted responses, or 25.5 percent of the survey respondents. The following charts and tables include comparisons between the disability-affected sample and the non-disability-affected sample, as well as the overall/total from the full sample.

EBRI was able to fund the development of this research thanks to generous support from EBRI's Retirement Security Research Center, Alliance for Lifetime Income, LGIM, and Edelman Financial Engines.

2022 Spending in Retirement Survey: Disability-Affected Sample

Disability-affected retirees in the following analysis are defined as retirees who either retired due to disability or another health problem or are disability affected in another way, representing a weighted 25.5 percent of the sample population. The sample reflects retirees meeting one or more of the following criteria:

- **Reason for retirement:** Retirees who reported their retirement reason as “You (had/have) a health problem or a disability, not related to COVID-19.”
- **Disability income:** Retirees who indicated disability insurance was a major or minor source of retirement income through a multiple-choice question. This also includes retirees who wrote in “disability” as an income source in the open-ended question, “Do you have any other sources of income not specified previously?”
- **Disabled working status:** Retirees and spouses with a working status of “disabled and unable to work.”

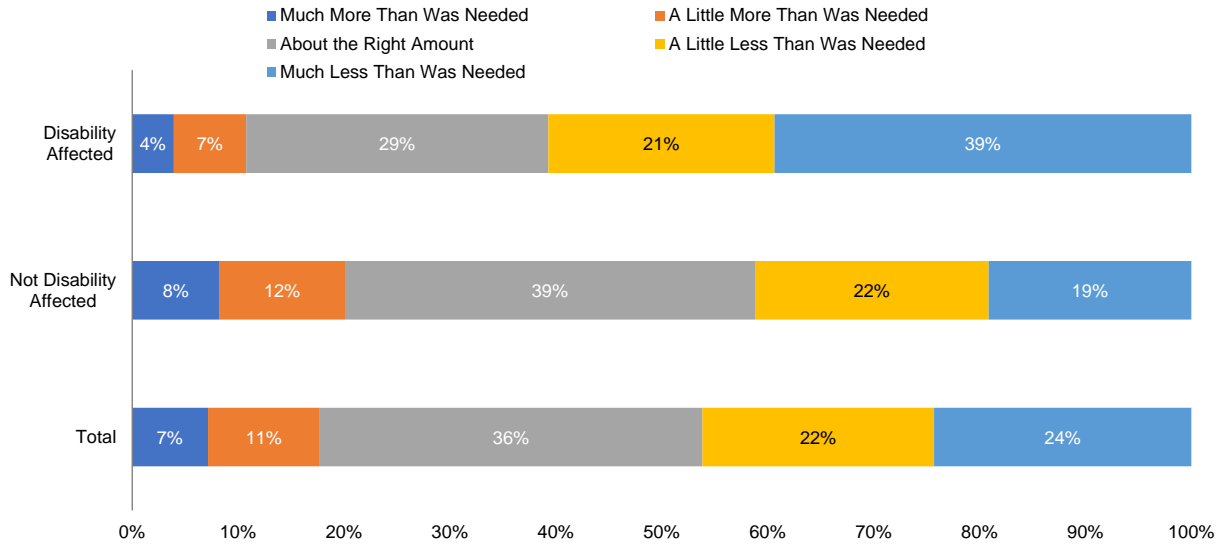
Using the above criteria, the disability-affected sample analyzed herein reflects a directional proxy for retirees with a disability.

Transitioning Into Retirement

For their transition into retirement, disability-affected retirees were more likely to say they relied on friends and family (21 percent) and other sources (10 percent) for sources of information on transitioning to retirement compared with non-disability-affected retirees (15 percent and 5 percent, respectively). Among the disability-affected retirees who wrote in “Other”, medical professionals and the Social Security Administration were frequently mentioned sources of information. Disability-affected retirees were less likely to rely on a personal, professional financial advisor (22 percent) compared with non-disability-affected retirees (32 percent).

More than half (61 percent) of disability-affected retirees said they saved less than was needed for retirement, compared with 41 percent of non-disability-affected retirees (Figure 6). The largest difference in these two groups was among those who said they saved “much less than was needed”: 39 percent of disability-affected retirees vs. 19 percent of non-disability-affected retirees.

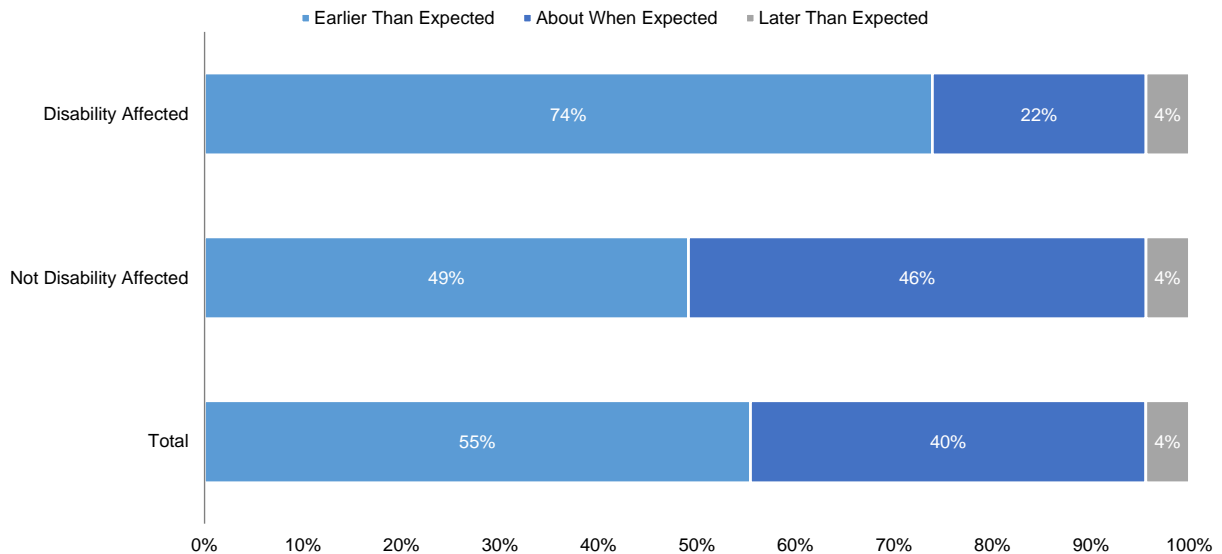
Figure 6
Perception of the Amount Saved for Retirement



Source: EBRI's 2022 Spending in Retirement Survey.

Disability-affected retirees were 50 percent more likely to say they retired earlier than expected vs. non-disability affected retirees (Figure 7). In other words, 74 percent of disability affected retirees retired earlier than expected, vs. 49 percent of non-disability-affected retirees. Only 22 percent of disability-affected retirees said they retired about when they expected as compared with 46 percent of non-disability-affected retirees.

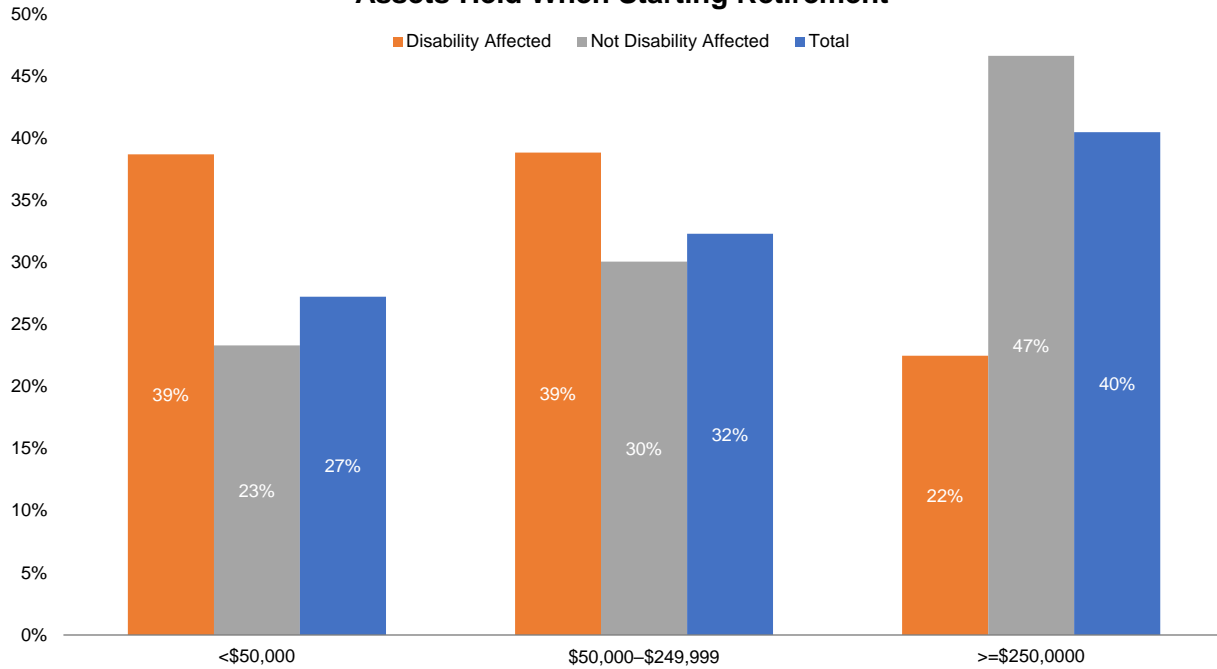
Figure 7
Expectation of Retirement Age



Source: EBRI's 2022 Spending in Retirement Survey.

Disability-affected retirees were more likely to start off retirement with fewer assets than non-disability-affected retirees, consistent with the perception that they did not save enough and the more common experience of retiring earlier than expected. Approximately 8 in 10 disability-affected retirees started retirement with less than \$250,000 in assets, comprising 39 percent with less than \$50,000 and another 39 percent with between \$50,000 and \$249,999 in assets (Figure 8). Comparatively, 53 percent of non-disability-affected retirees started retirement with less than \$250,000 in assets, inclusive of 23 percent with less than \$50,000 and 30 percent with between \$50,000 and \$249,999 in assets.

**Figure 8
Assets Held When Starting Retirement**



Source: EBRI's 2022 Spending in Retirement Survey.

In addition to differences in assets starting retirement, disability-affected retirees were more likely to report that their household's financial assets had lower median and average current values than non-disability-affected retirees. Non-disability-affected retirees had 2.3 times the average current assets of disability-affected retirees (Figure 9). From an income perspective, disability-affected retirees were more likely to have annual household incomes less than \$30,000 (38 percent) compared with those who were not disability affected (25 percent).

**Figure 9
Current Value of Household Financial Assets**

	Total	Disability Affected	Not Disability Affected
Average	\$531,879	\$267,165	\$622,390
Median	\$145,672	\$55,000	\$200,000

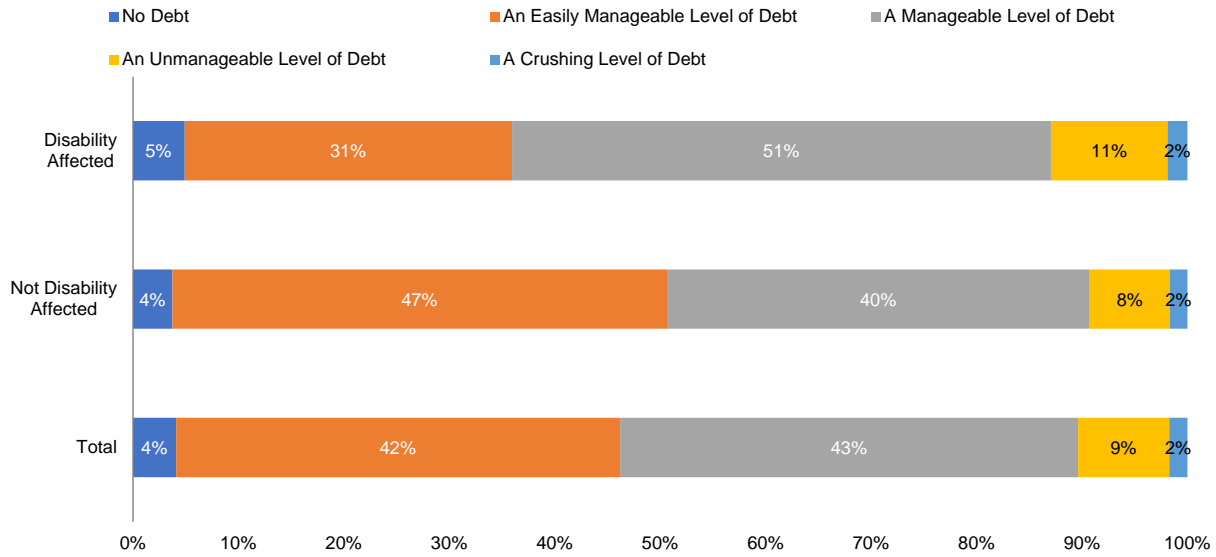
Source: EBRI's 2022 Spending in Retirement Survey.

With respect to living situation, disability-affected retirees were more likely to be renting (26 percent) compared with non-disability-affected retirees (18 percent). Similarly, disability-affected retirees were less likely to own their home free and clear of a mortgage (35 percent) as opposed to non-disability-affected retirees (50 percent).

Debt in Retirement

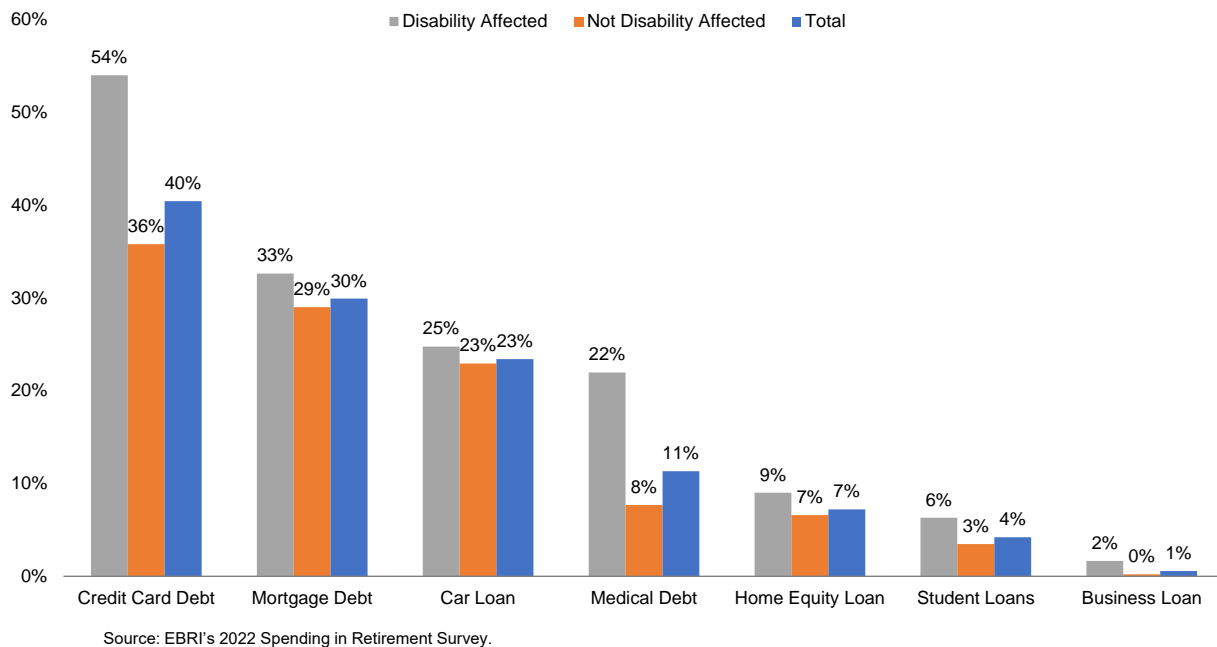
Disability affected retirees were less likely to report that they had an “easily manageable level of debt” (31 percent) and more likely to say they had a “manageable level of debt” (51 percent) than non-disability-affected retirees (47 percent and 40 percent, respectively) (Figure 10).

Figure 10
Description of Debt Manageability



Disability-affected retirees were more likely to report having debt outstanding across all types of debt than non-disability-affected retirees. Specifically, credit card and medical debt stood out as the largest differences. Disability-affected retirees were substantially more likely to report having credit card debt (54 percent) and medical debt (22 percent) compared with non-disability-affected retirees (36 percent and 8 percent, respectively) (Figure 11).

Figure 11
Types of Debt Outstanding



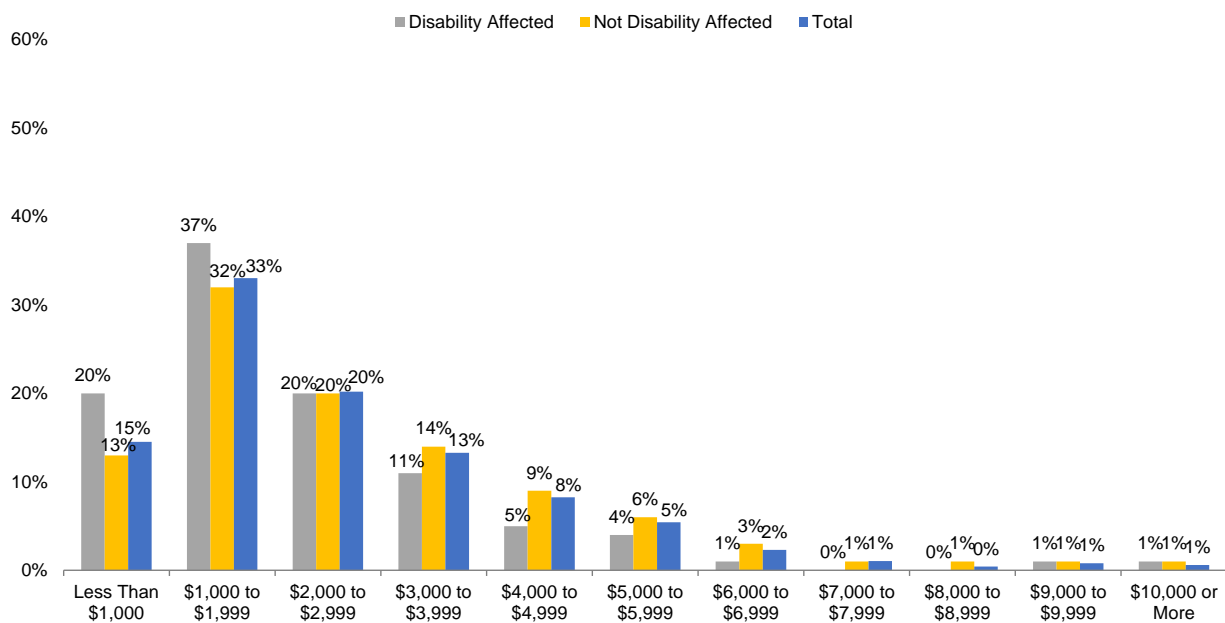
Sources of Income and Monthly Spending

Disability-affected retirees were less likely to report that a 401(k) or similar workplace retirement savings plan,⁴ defined benefit plan, or individual retirement account (IRA) were sources of income right now in retirement. Instead, 77 percent of disability-affected retirees were more likely to have Social Security as a major source of income vs. 67 percent of non-disability-affected retirees. In addition, 26 percent of the disability-affected population reported disability insurance as an income source.

Among the total Spending in Retirement Survey sample, the median Social Security claiming age was 63 overall and 62 for those who were disability affected. The median age of 62 for Social Security claiming also resulted for Black retirees, Hispanic retirees, those with less than \$30,000 in annual household income, and those with poor self-reported health status.⁵

Consistent with previous evidence of having fewer financial resources, more disability-affected retirees spent less than \$1,000 each month (20 percent) than non-disability-affected retirees (13 percent) (Figure 12). This spending constraint persisted with the next thousand-dollar increment. Cumulatively, 57 percent of disability-affected retirees spent less than \$2,000 each month compared with 45 percent of non-disability-affected retirees.

Figure 12
Monthly Spending



Source: EBRI's 2022 Spending in Retirement Survey.

Disability-affected retirees reported spending more on housing and out-of-pocket medical costs than non-disability-affected retirees (Figure 13). Disability-affected retirees also reported spending less on entertainment and other expenses compared with non-disability-affected retirees. Interestingly, despite the increase in the prevalence of ambulatory difficulties with age, there were no observed differences relative to transportation expenses. Disability-affected retirees were also more likely to report their health care needs created a significant unexpected expense in retirement (39 percent) than those who were not disability affected (22 percent).

Figure 13
Allocation of Monthly Spending by Expense Type

Monthly Expense Type	Disability Affected	Not Disability Affected	Total
Housing Expenses	33%	29%	30%
Food Expenses	25%	26%	25%
Transportation Expenses	11%	11%	12%
Medical and Health Insurance	7%	8%	8%
Entertainment Expenses	7%	9%	8%
Clothing Expenses	6%	5%	7%
Other Expenses	5%	7%	6%
Out-of-Pocket Medical Cost	6%	4%	5%

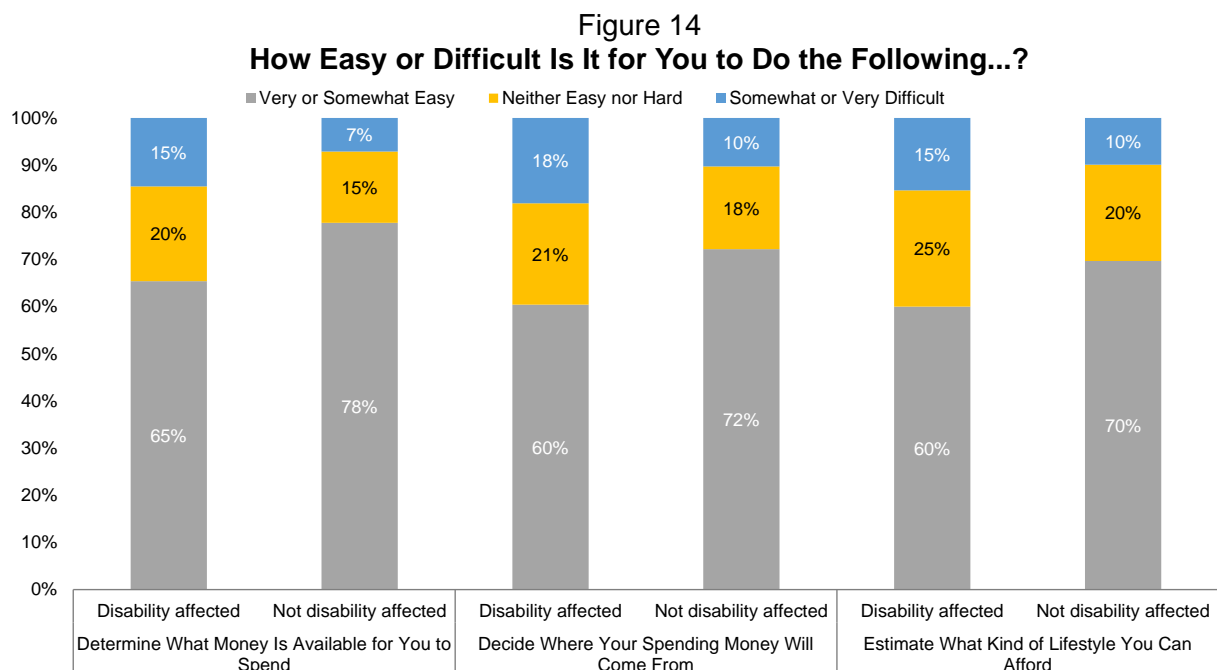
Source: EBRI's 2022 Spending in Retirement Survey.

Consistent with the idea noted earlier that disability-affected retirees saved less than what was needed for retirement, about one-third said that housing costs, health insurance, and medical costs were higher than expected.

Relative to health care, disability-affected retirees were more likely to report receiving insurance through Veterans Affairs (7 percent) as compared with non-disability-affected retirees (3 percent). They were less likely to report having Medigap insurance to augment Medicare (11 percent vs. 16 percent of those not disability affected). However, disability-affected retirees were more likely to report having long-term care insurance (29 percent) than non-disability-affected retirees (19 percent).

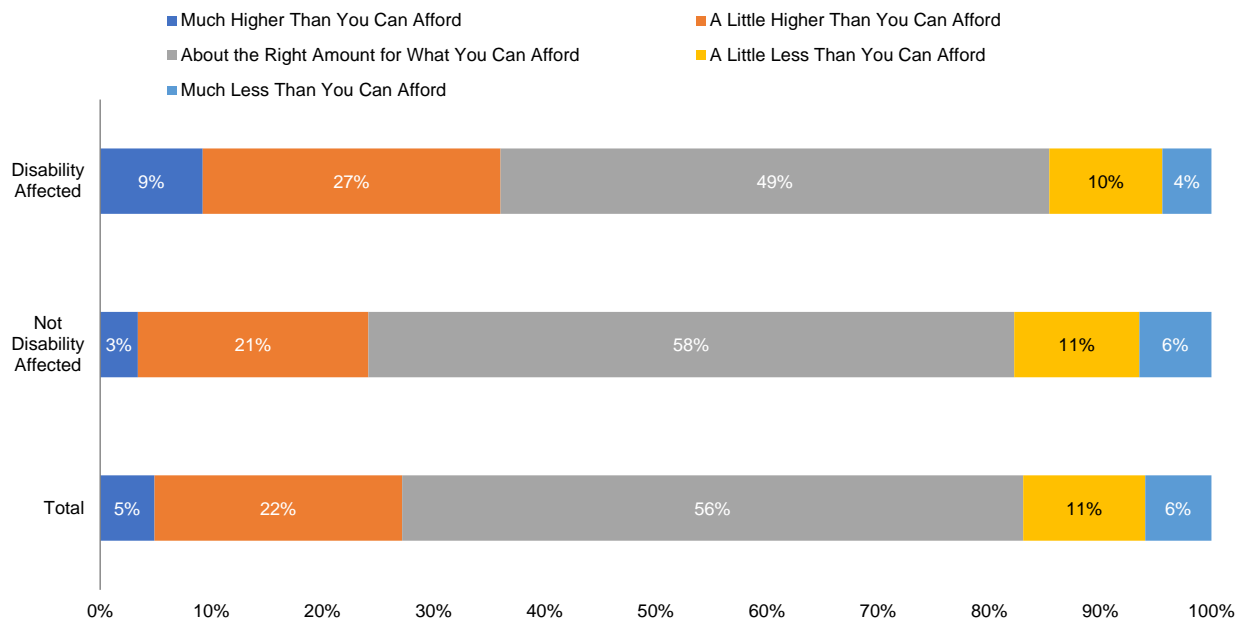
Budgeting and Spending

Those affected by disability reported more disciplined monthly budgeting. Specifically, 44 percent of disability-affected retirees said they stick to a monthly spending plan to a great extent, as opposed to 37 percent of non-disability-affected retirees. At the same time, disability-affected retirees were more likely to report difficulty with budgeting decisions than non-disability-affected retirees (Figure 14). On average, 1 in 6 disability-affected retirees reported difficulty making budgeting decisions compared with 1 in 10 non-disability-affected retirees. Consequently, disability-affected retirees were less likely to say that budgeting decisions were very or somewhat easy for them (averaging 62 percent) compared with non-disability-affected retirees (averaging 73 percent).



Constraints on budgeting and greater decision-making challenges contribute to heightened financial discomfort among disability-affected retirees, who were more likely (36 percent) to feel their current spending level was higher than they can afford compared with non-disability-affected retirees (24 percent) (Figure 15). Consequently, disability-affected retirees were less likely (49 percent) to report that their spending was about the right amount for what they can afford compared with non-disability-affected retirees (58 percent).

Figure 15
Do You Feel Your Current Spending Level Is...?



Source: EBRI's 2022 Spending in Retirement Survey.

Retirees affected by disability were less likely to have set aside emergency or rainy day funds that would cover expenses for three months in case of sickness, income loss, economic downturn, or other emergencies (56 percent) than non-disability-affected retirees (73 percent).

Disability was also correlated with lower levels of well-being across the measures of alignment, satisfaction, and standard of living. Disability-affected retirees were more than twice as likely to say their current life in retirement had low alignment with expectations⁶ (26 percent) compared with those not affected by disability (12 percent). They were also twice as likely to report low levels of satisfaction with life in retirement⁷ (17 percent) than those not affected by disability (8 percent). In addition, 43 percent of disability-affected retirees said their standard of living is lower in retirement than when they were working vs. non-disability-affected retirees (29 percent). Disability-affected retirees were three times more likely to be seeking treatment for depression/anxiety (27 percent) vs. non-disability-affected retirees (9 percent).

In addition, race appears to play a role with respect to disability. Sixteen percent of Black retirees were disability affected vs. 7.7 percent of non-Black retirees. Similarly, 12.8 percent of Hispanic retirees in the sample were disability affected compared with 7.2 percent of non-Hispanic retirees.

Conclusion

The comparative statistics portray a dim picture of being affected by disability in retirement. Disability-affected retirees have less financial resources, more credit card and medical debt, less confidence in their decision making, and less satisfaction with life in retirement than their non-disability-affected counterparts. Given the prevalence of disability

among older adults, it is imperative for the benefits industry and policy community to collaborate on solutions that will help this population maintain and, ideally, improve their quality of life. While private employment-based benefits have limited ability to improve the quality of life of current disability-affected retirees (barring a return to work or programs for current caregivers), there are many opportunities to help future disability-affected retirees.

Employers could offer educational resources on federally funded disability programs, focused employee resource groups, and specialized financial planning in order to help improve financial outcomes for those affected by disability (and those likely to be affected over the long term). Specialized financial planning could entail incorporating higher medical costs in retirement, earlier actual retirements, and disability insurance into retirement planning. While many disabilities are acquired with age, many are also identified during working careers or earlier, justifying the offering of accidental, short-term, and long-term disability insurance benefits, as well as long-term care insurance. In addition, employers could enable employee contributions and offer a match to Achieving a Better Life Experience (ABLE) accounts, which now have an increased age maximum for enrollment of 46 years old effective December 31, 2025, through SECURE 2.0. ABLE accounts allow those with disabilities or their legal representatives to save money above the asset limit for public benefit programs like Supplemental Security Income (SSI), Medicaid, and Supplemental Nutrition Assistance Program (SNAP).

Endnotes

¹ U.S. Census Bureau, American Community Survey. 2021 ACS 1-Year Estimates. S1810 Disability Characteristics. Total Civilian Noninstitutionalized Population.

² U.S. Census Bureau, How Disability Data are Collected from The American Community Survey. <https://www.census.gov/topics/health/disability/guidance/data-collection-acs.html>

³ Department of Labor Office of Disability Employment Policy. "Spotlight on Women with Disabilities". March 2021. <https://www.dol.gov/sites/dolgov/files/ODEP/pdf/Spotlight-on-Women-with-Disabilities-March-2021.pdf>

⁴ More precisely, this response option was, "A workplace retirement savings plan, such as a 401(k), tax-deferred annuity or 403(b), thrift savings, money purchase, or profit-sharing plan" to the question "To what extent are the following sources of income for you right now in retirement?"

⁵ Bearden, Bridget, "2022 Spending in Retirement Survey: Understanding the Pandemic's Impact," *EBRI Issue Brief*, no. 572 (Employee Benefit Research Institute, October 6, 2022).

⁶ Responding 1, 2, or 3 on a scale of 1–10, where 1 is "not at all aligned" and 10 is "very aligned," to the question "How aligned is your current life in retirement with how you expected/planned for your life in retirement to be?"

⁷ Responding 1, 2, or 3 on a scale of 1–10, where 1 is "very dissatisfied" and 10 is "very satisfied," to the question "How satisfied are you with your life in retirement?"