



(How) Did The COVID-19 Pandemic Impact Older Americans' Retirement Finances & Expectations?

EBRI Webinar

September 15, 2022

Speakers



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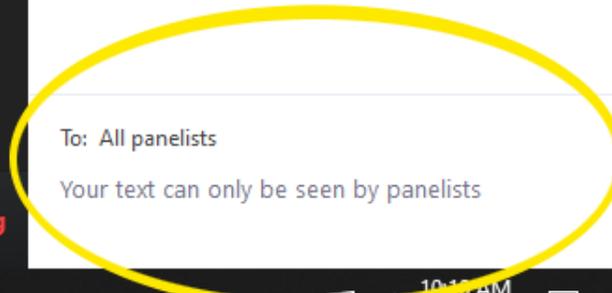
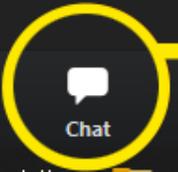
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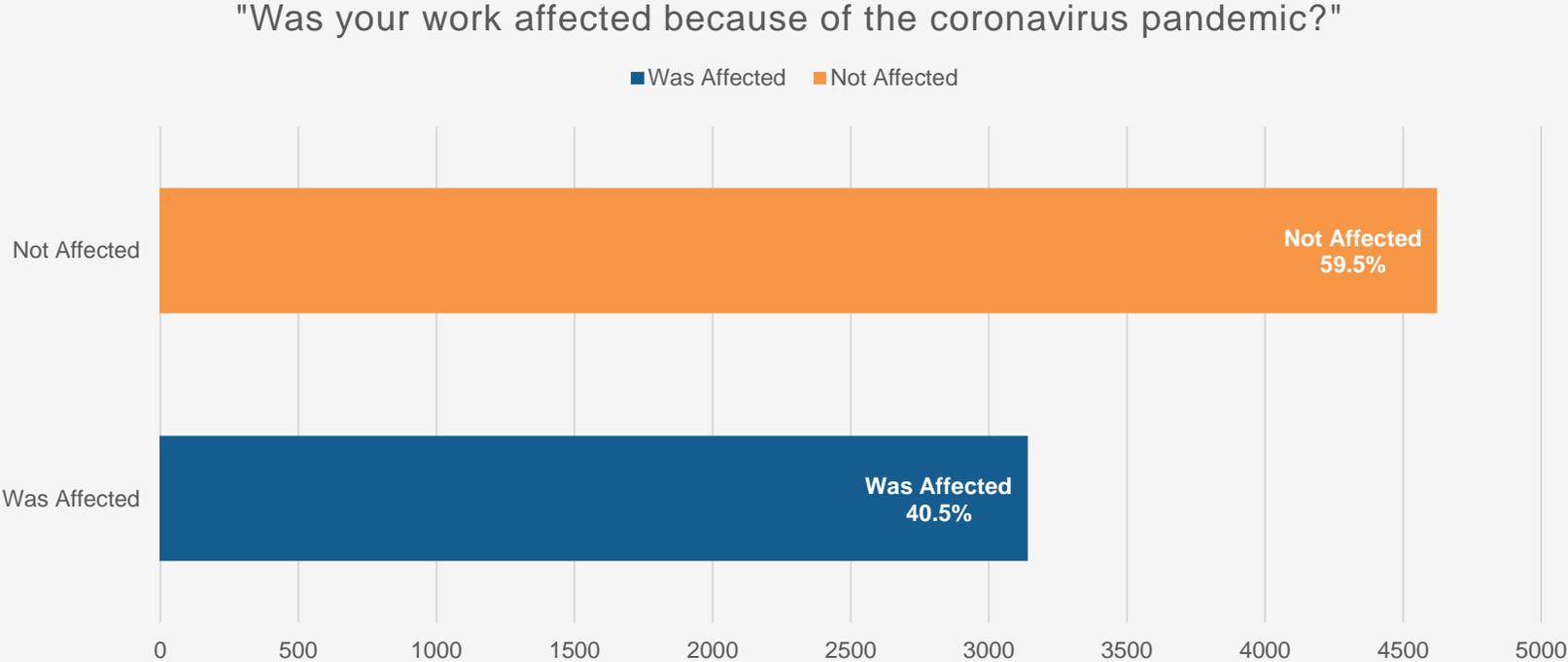
Staying Optimistic: Older Americans' Retirement Expectations Remain Uninterrupted Despite COVID-19 Impact

Zhikun Liu, Ph.D., CFP®

Did COVID-19 Impact Older American Adults' Work and Financial Situations?

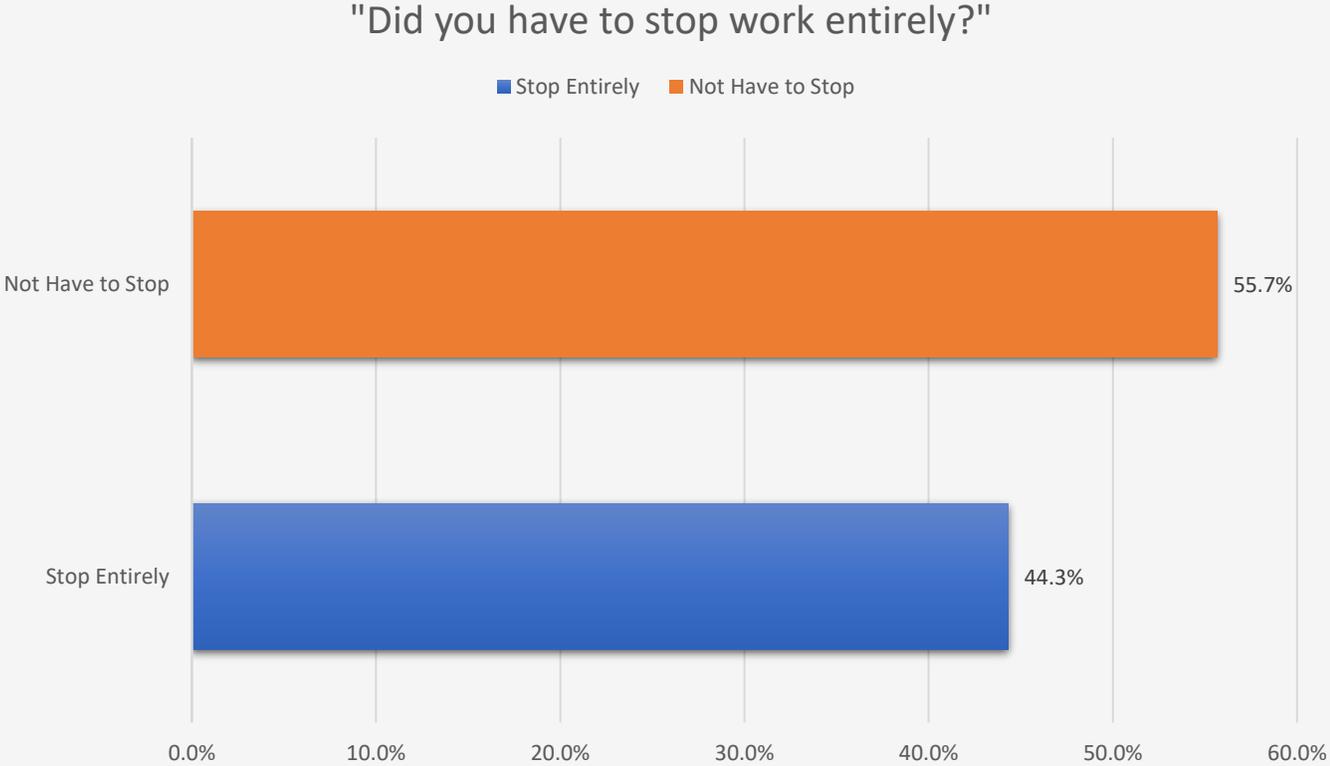
Based on the 2020 Health and Retirement Study (HRS), COVID-19 affected older American adults' work and financial situations to a large extent.

- 1. 40% respondents reported their work was affected by COVID versus 60% who reported not.



Stop Work Entirely

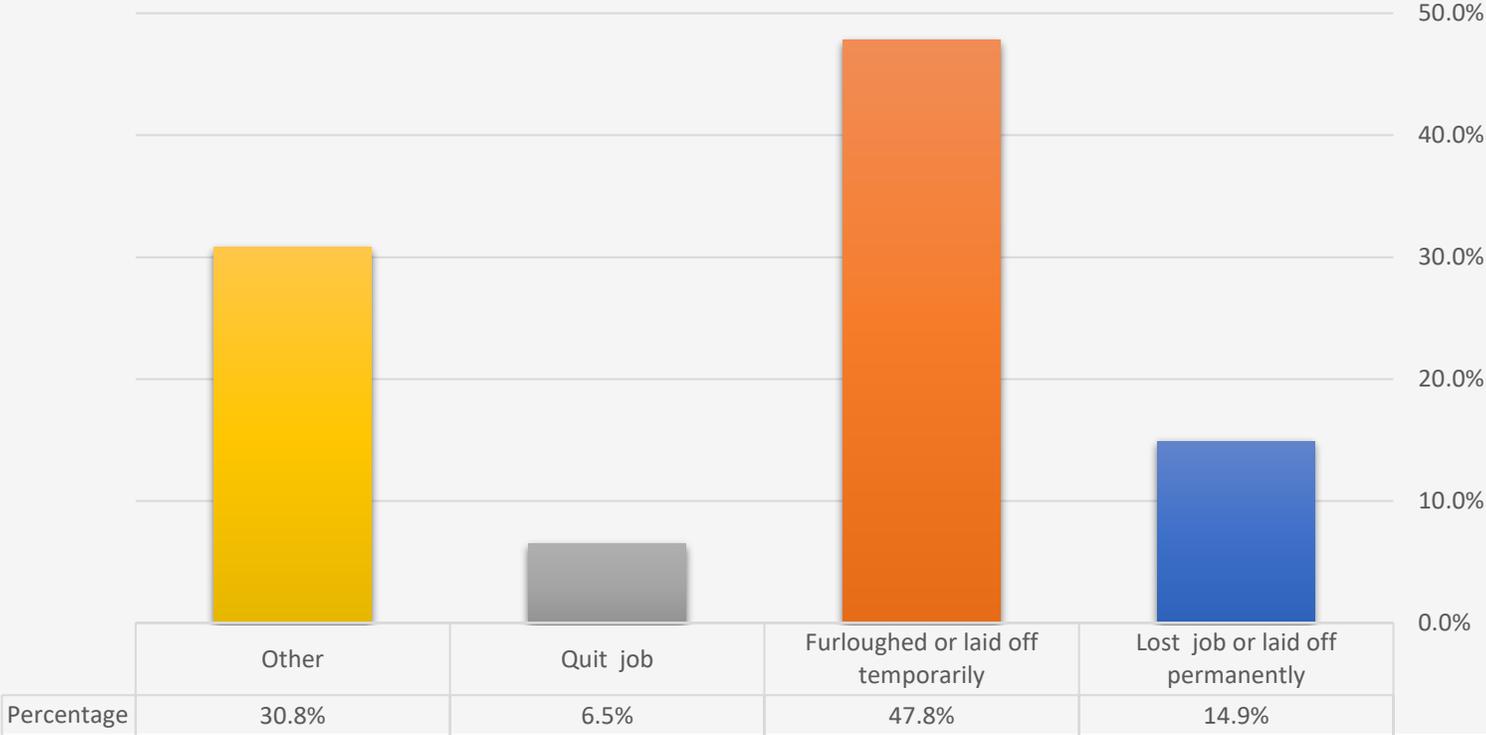
2. About 44% of respondents had to stop work entirely vs. 56% who reported not having to.



Job Loss

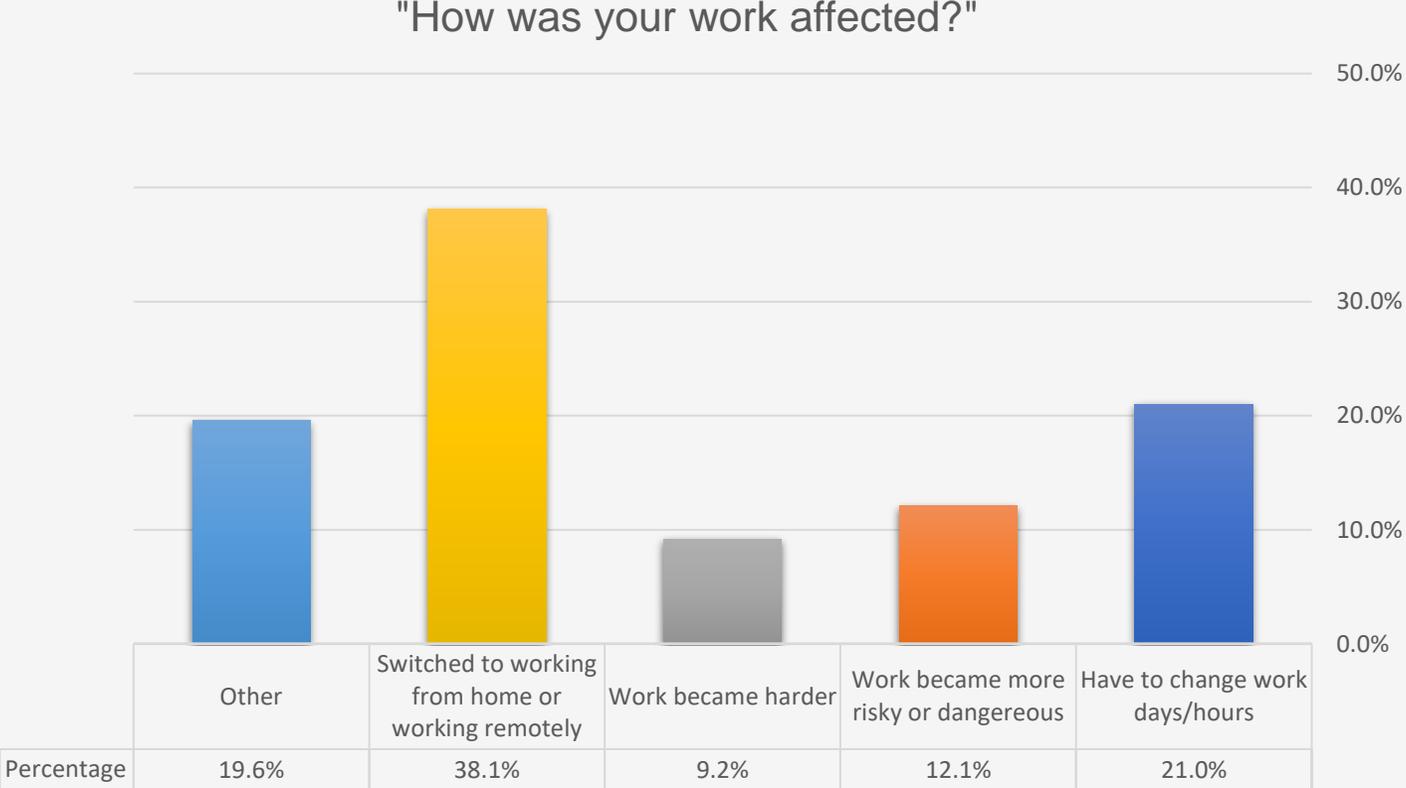
3. For those who answered the “what happened to job” question, 14.9% of the respondents reported that they lost their job or were laid off permanently; 47.8% said they were furloughed or laid off temporarily; About 6.5% indicated that they quit their jobs; 30.8% reported “other”.

"Did you lose your job, were you furloughed, did you quit, or what?"



Change Work Hours and Location

4. In the “how work was affected” question, 21.0% of the respondents reported that they had to change work days/hours; 12.1% indicated that their work became more risky or dangerous; 9.2% of them said their work became harder; 38.1% switched to working from home or working remotely.



Income Change

5. Majority (75.7%) of the participants (7,760 out of 10,254) reported that their financial situation remains the same. Compared to the 5% of participants who indicated their income went up, approximately 20% participants reported a decrease in income due to COVID-19.

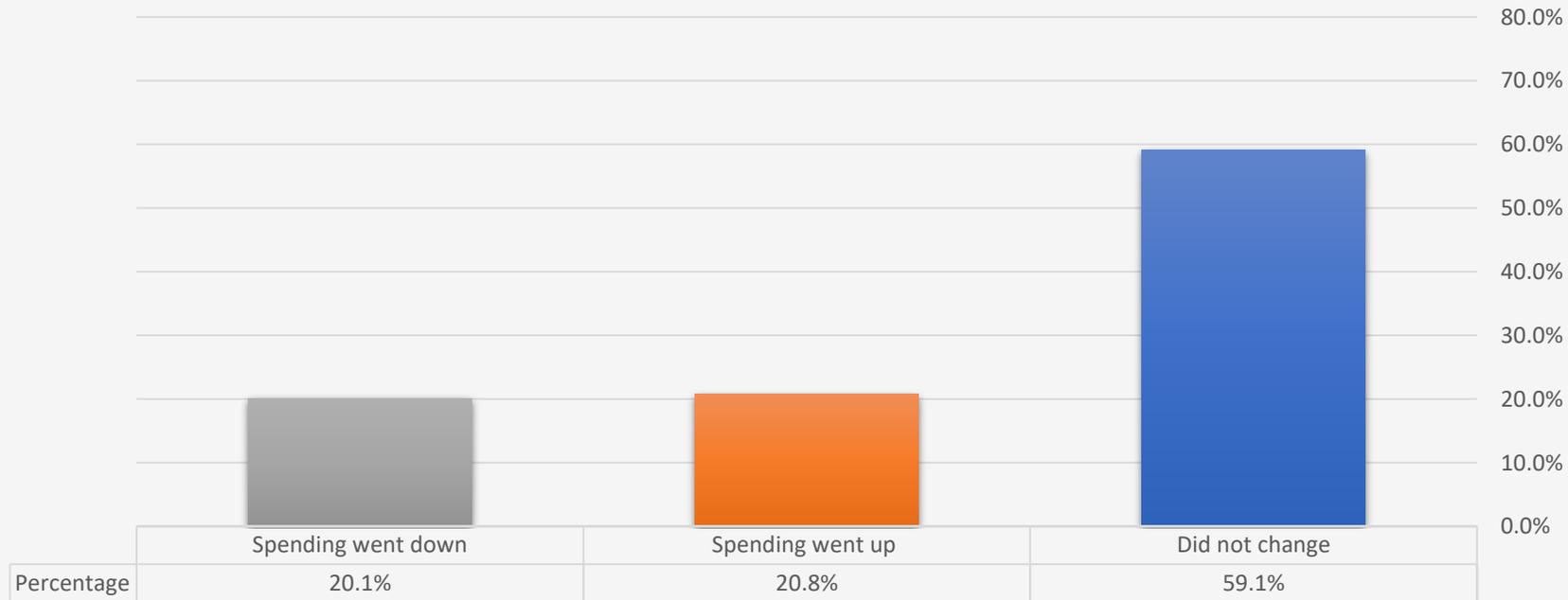
"Has your income gone up or down or stayed about the same because of the pandemic?"



Spending Change

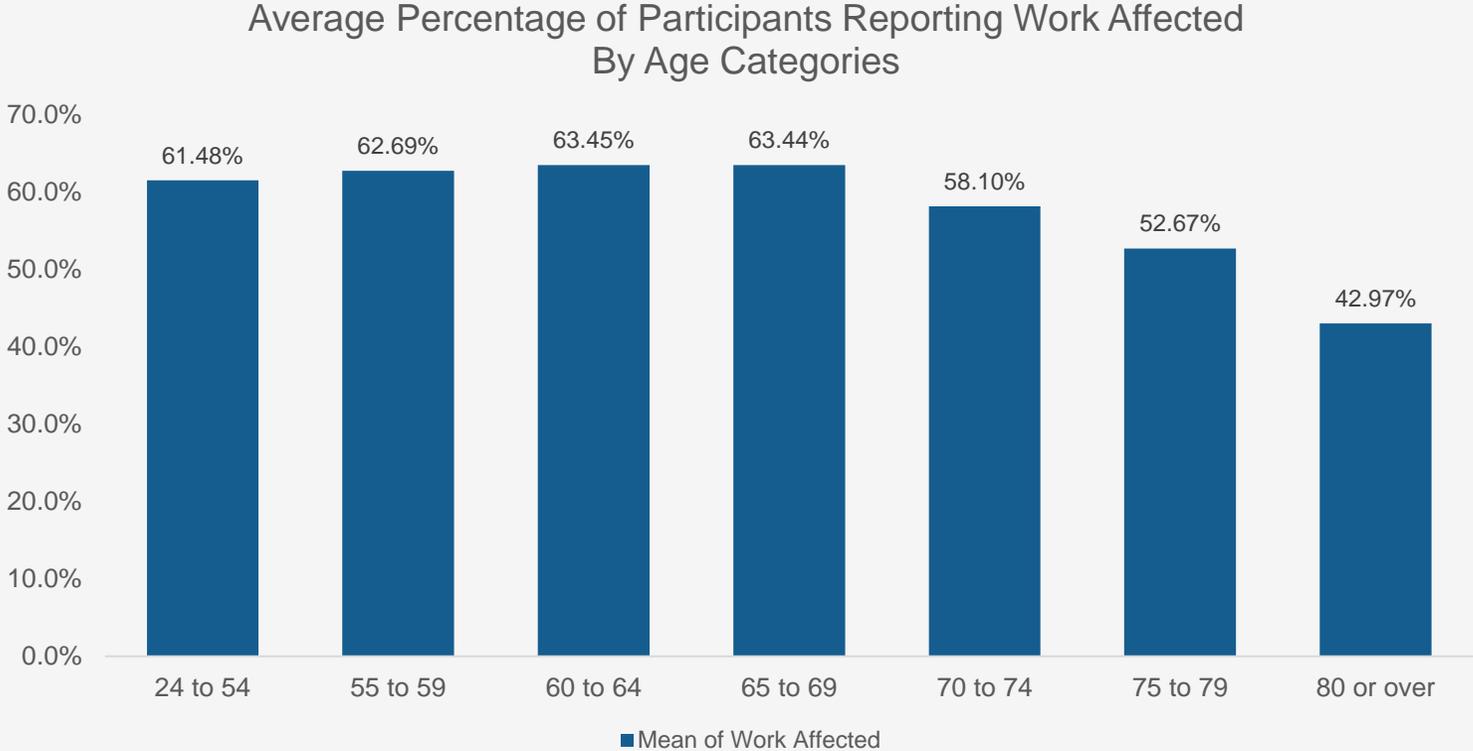
6. As for household spending, most (59.1% = 6,080/10,285) of the respondents reported that their spending did not change during COVID. The numbers of respondents who reported that household spending went up and down are quite similar, 2,137 (20.8%) vs. 2068 (20.1%), respectively.

"Has your household spending gone up or down or stayed about the same?"



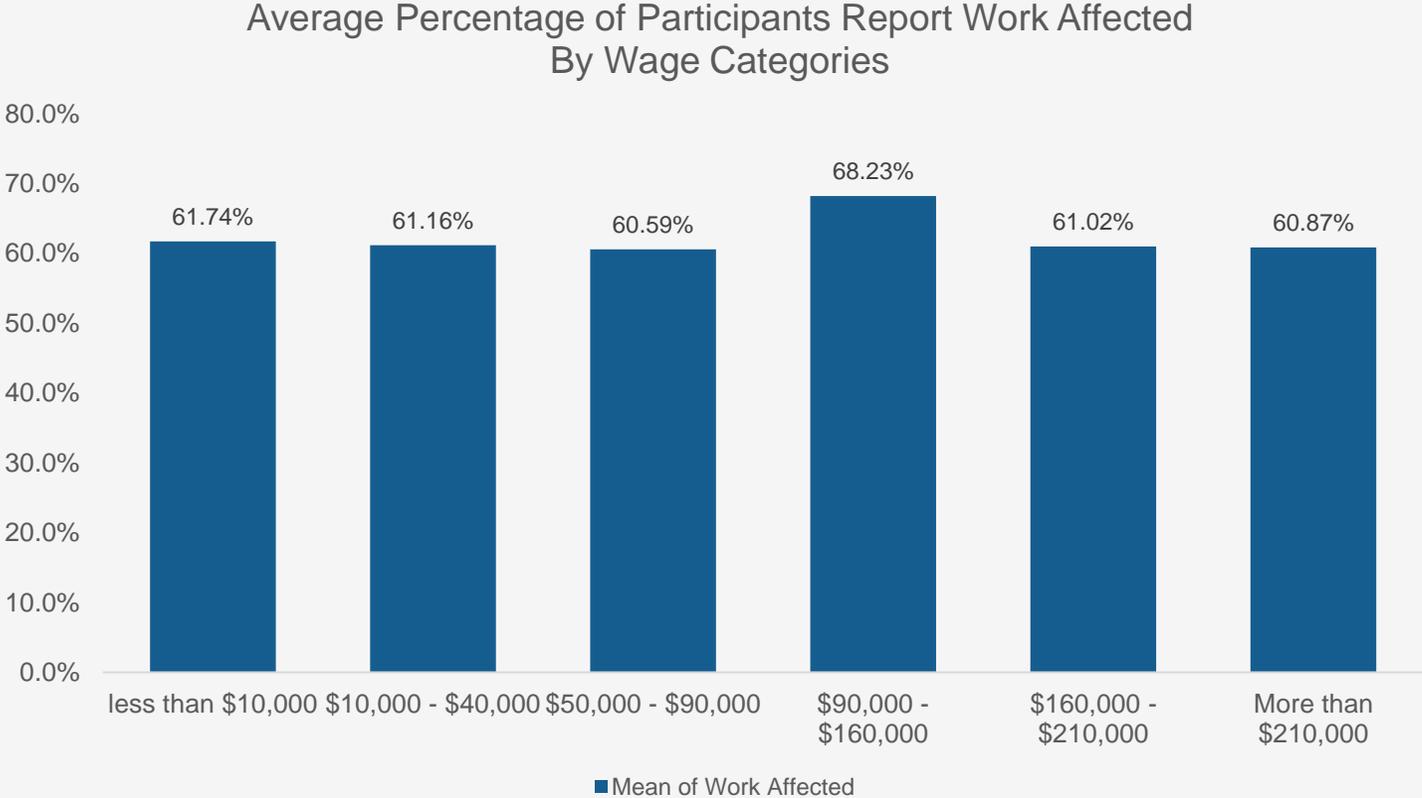
Work Affected by Age Categories

7. The average percentages of participants who reported that their work was affected by COVID varies by age groups, but not significantly up to age 75.



Work Affected by Wage Categories

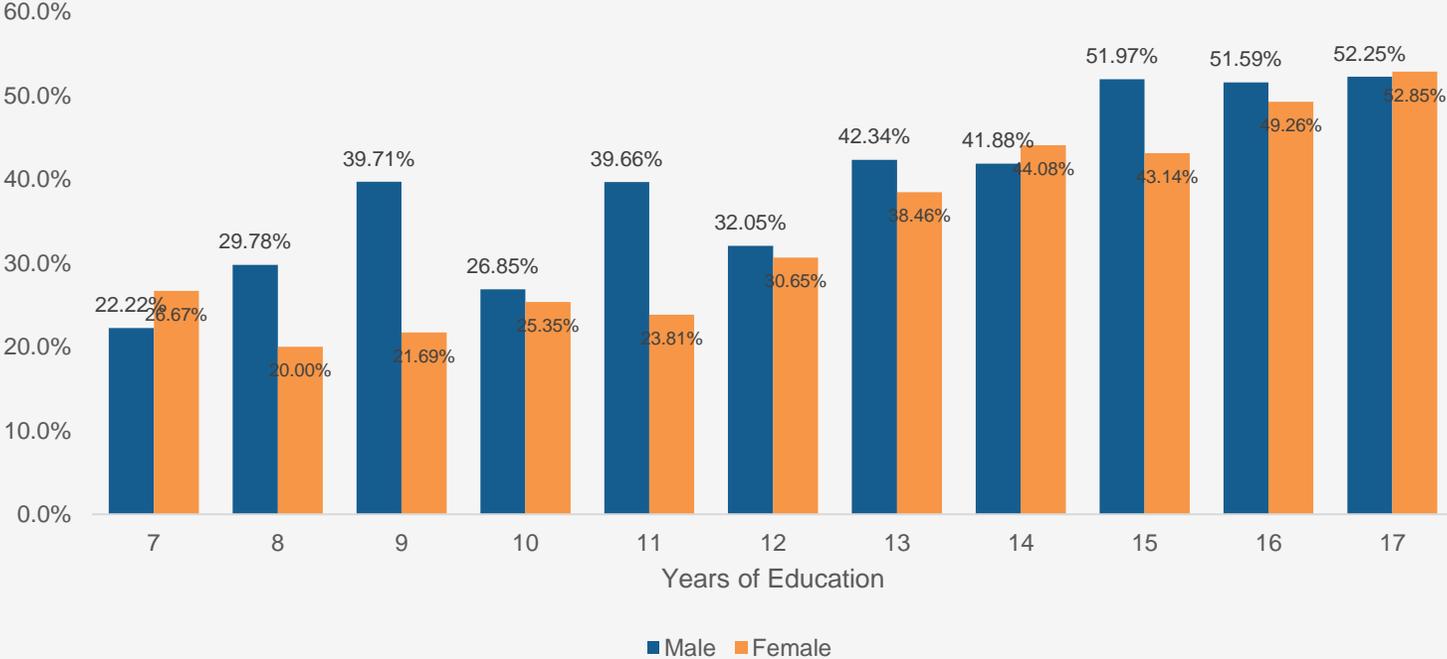
8. No particular wage group reported their work was significantly more affected by COVID-19 than other groups.



Work Affected by Gender and Education

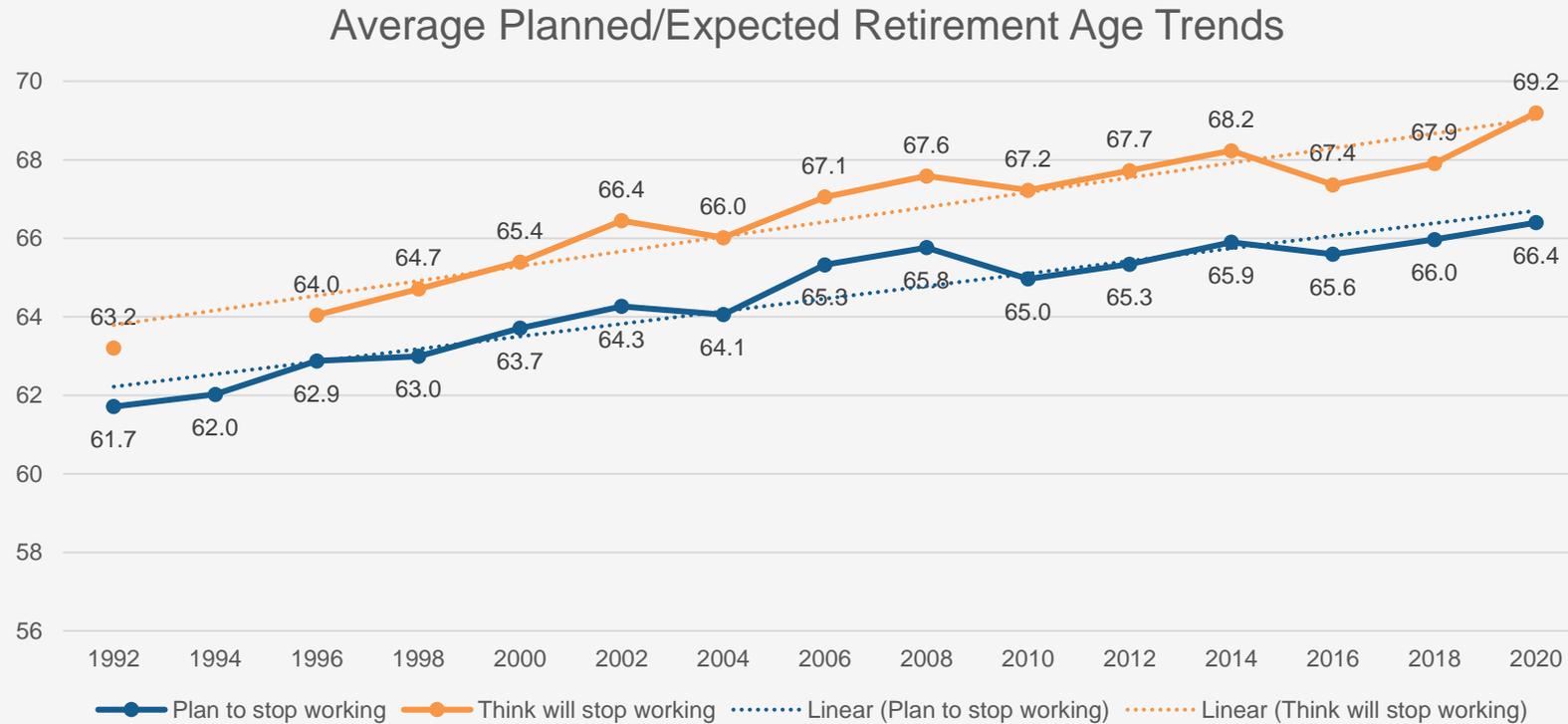
9. Male participants are more likely to report their job was affected by the COVID-19 pandemic than female participants, especially among those cohorts who have relatively fewer years of education.

Average Percentage of Participants Report Work Affected By Gender and Education



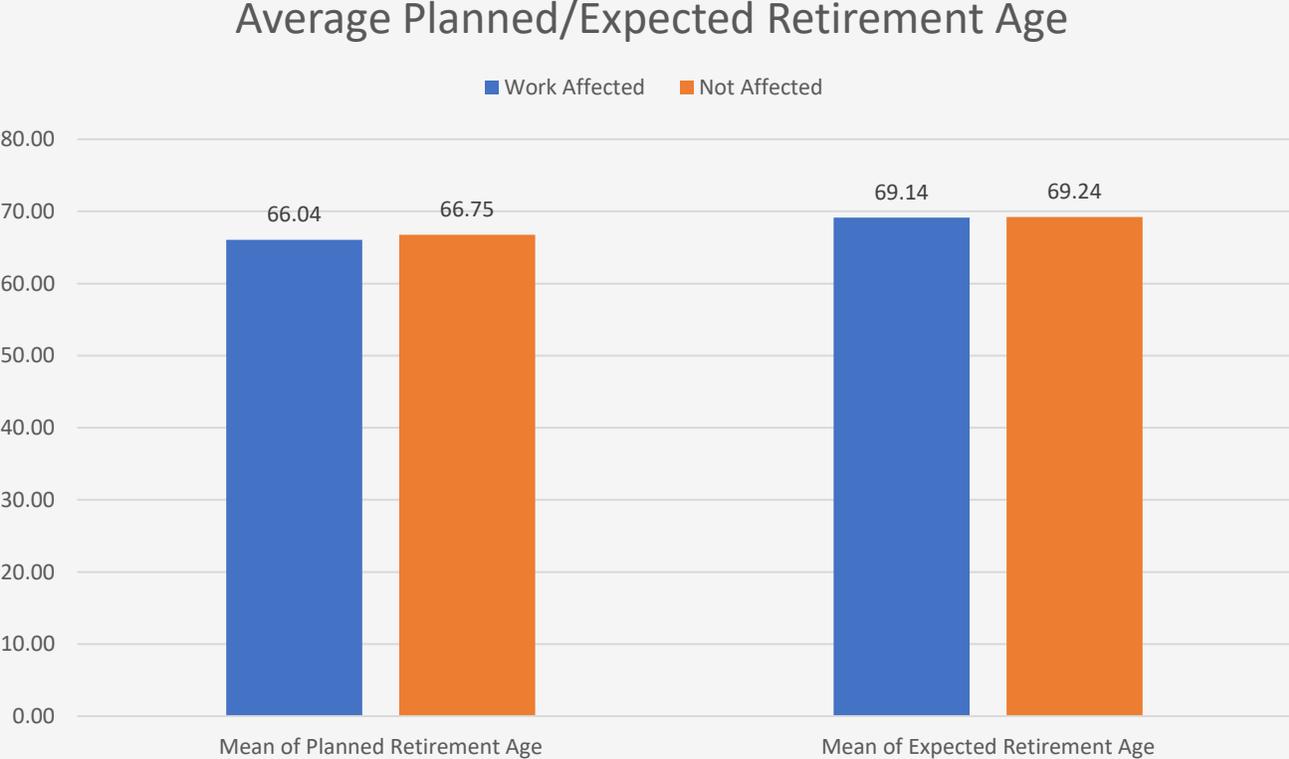
Did COVID-19 Impact Older Americans' Retirement Expectations?

10. Respondents of the HRS survey answered two questions regarding their retirement age. One was about their “planned stop working age”. The other changes the narrative to “expected stop working age.”



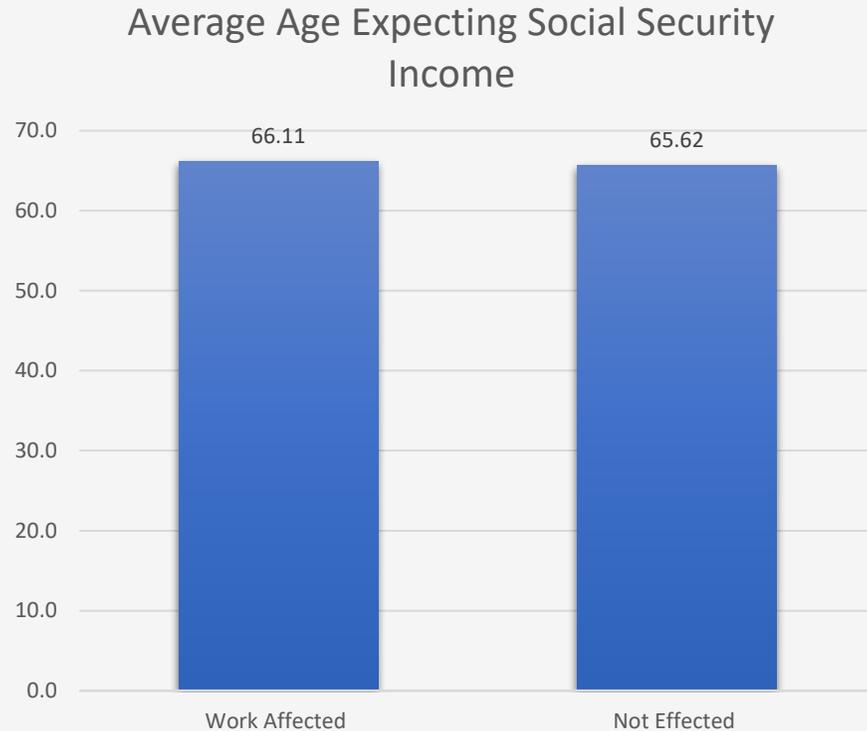
Similar Planned and Expected Retirement Age

11. There are no significant differences between the average planned and expected retirement ages for those who reported their work had been affected by COVID vs. those who reported not.



Little Expected SSB Claiming Age Change

12. Those whose work was impacted by COVID-19 expect a slightly later SSB claiming age, from 65.6 to 66.1. This difference is statistically significant but not economically significant.



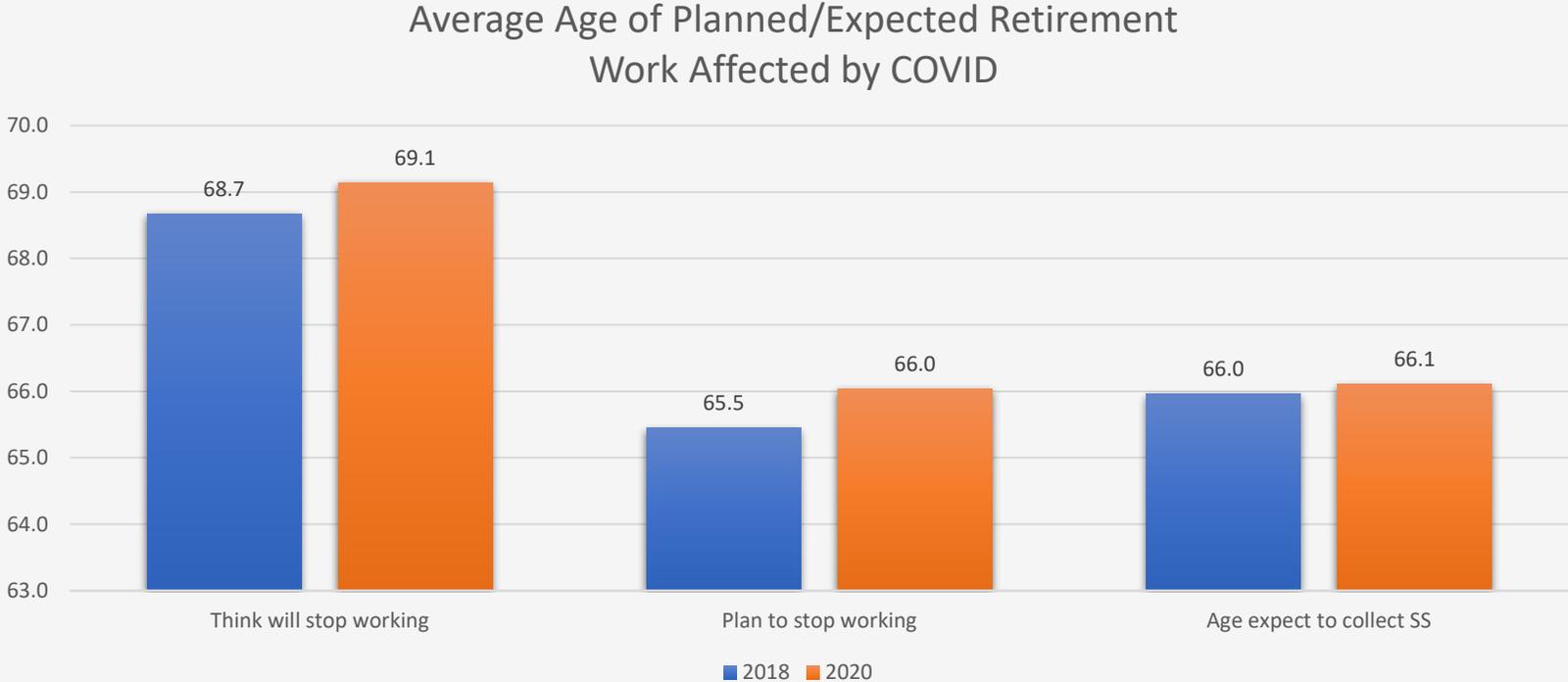
OLS on Expected Social Security Income Age

Expected Social Security Income Age	OLS Results
Age2020	0.104*** (0.0123)
Female	-0.146 (0.1170)
Married	0.284* (0.1185)
EducationYears2020	0.135*** (0.0183)
Work Affected (Yes=1, No=0)	0.384** (0.1187)
N	2,750

Standard errors in parentheses
 * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Stay in the Same Trend as 2018

13. Although there is a slight delay in terms of planned and expected retirement ages as well as the SSB claiming age for those who reported their work was affected by COVID-19 in the 2020 Wave, compared to their responses in the 2018 Wave, the difference is somewhat muted. Empirical analyses (OLS and DID) confirm the insignificance.



Conclusion and Summary

- Based on the 2020 Health and Retirement Study, COVID-19 affected older (age 50+) American adults' work and financial situations significantly.
- Although there is generally a natural upward trend for older American adults to expect a later and later retirement age, this natural trend of delaying retirement has no statistically significant relationship with the COVID-19 pandemic.
- The average percentages of participants who reported their work was affected by COVID-19 do not differ substantially by their demographic and economic status variations (such as age groups and wage cohorts). However, among those with relatively fewer years of education, male participants are more likely to report their job was affected than female participants.
- Older American adults' retirement expectations (including planned retirement age and Social Security benefit claiming age) remain uninterrupted despite enduring through the COVID-19 impact on their work and financial situations in 2020.



COVID WAS A NONEVENT FOR RETIREMENT AGE EXPECTATIONS

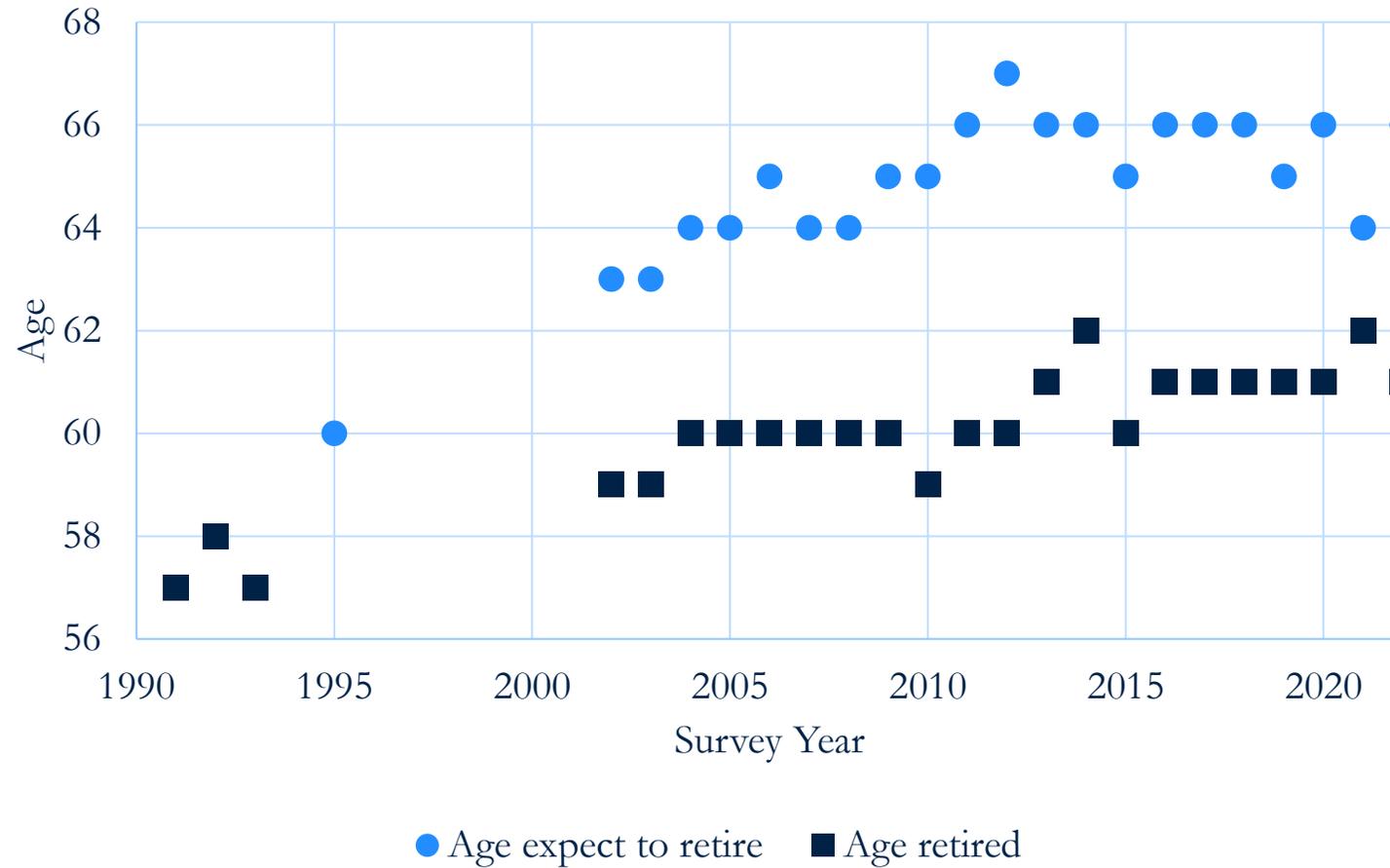
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September 15, 2022

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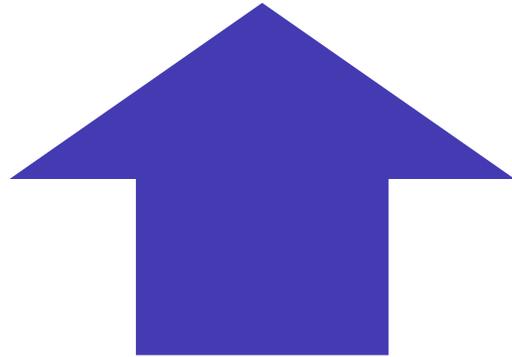
THE PURSUIT OF OUTPERFORMANCE

Longer Term Trends on Retirement Ages



Source: <https://news.gallup.com/poll/394943/retiring-planning-retire-later.aspx>

Potential Competing Theories on the Impact of COVID on Expected Retirement Age



Drop in Portfolio =
Retire Later



Increase in Mortality Salience =
Retire Sooner

Financial Wellness Assessment Background

- Digital tool that asks an employee to respond to 20 questions about the current state of their finances
- Completing the assessment takes 4-5 minutes
- The tool provides the employee with feedback on how they are doing and suggestions for next steps to improve their financial health
- Employers receive insights on key financial wellness trends across their workforce
- Prudential has collected over 250,000 assessment responses

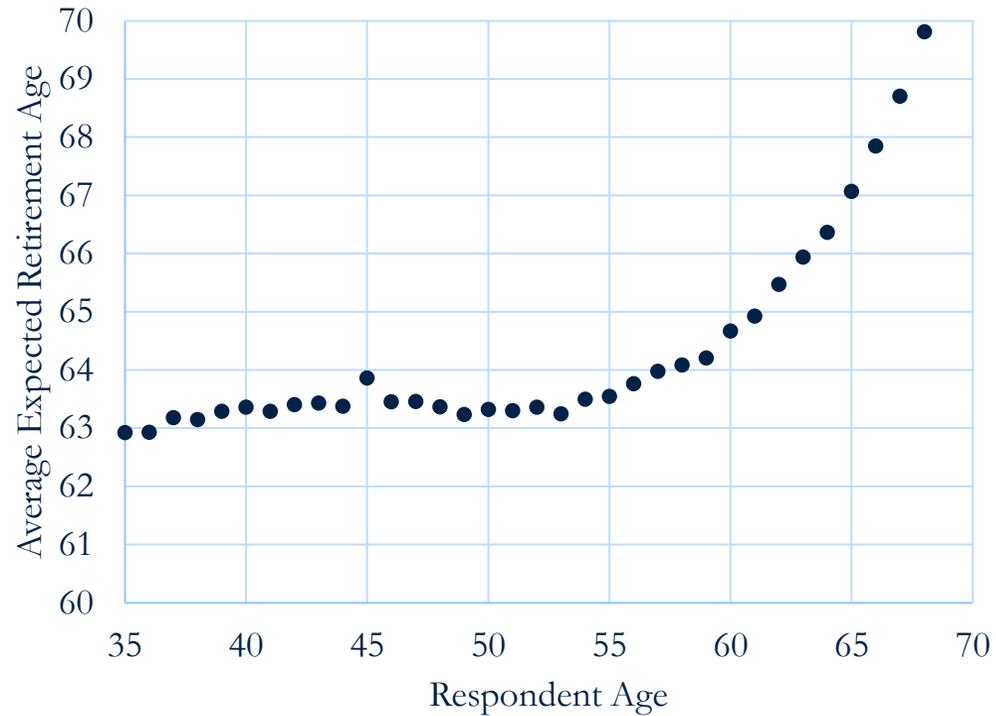


This Particular Dataset

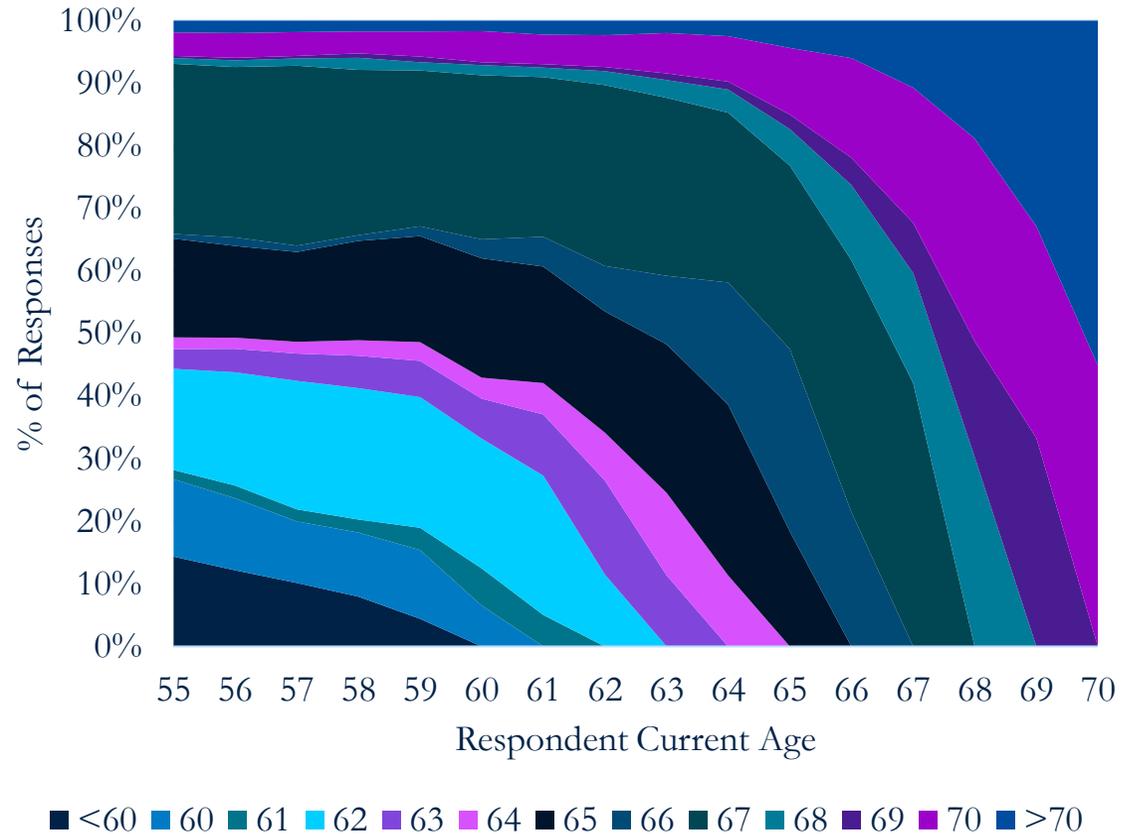
- Two different questionnaires used, with different questions and potential responses. The first was offered from April 20, 2017 to June 27, 2020 and the second from June 28, 2020 to December 1, 2021. Responses don't really begin until July 1, 2018.
- There are 154,403 responses available for the first set and 87,571 for the second that meet required filters (total of 241,974 responses). If an individual took the questionnaires multiple times, only the last set of responses is included.
- Key data available over the full period includes: respondent age, respondent gender, marital status, household income, and expected retirement age, and date of survey completion.

Expected Retirement Ages by Respondent Age

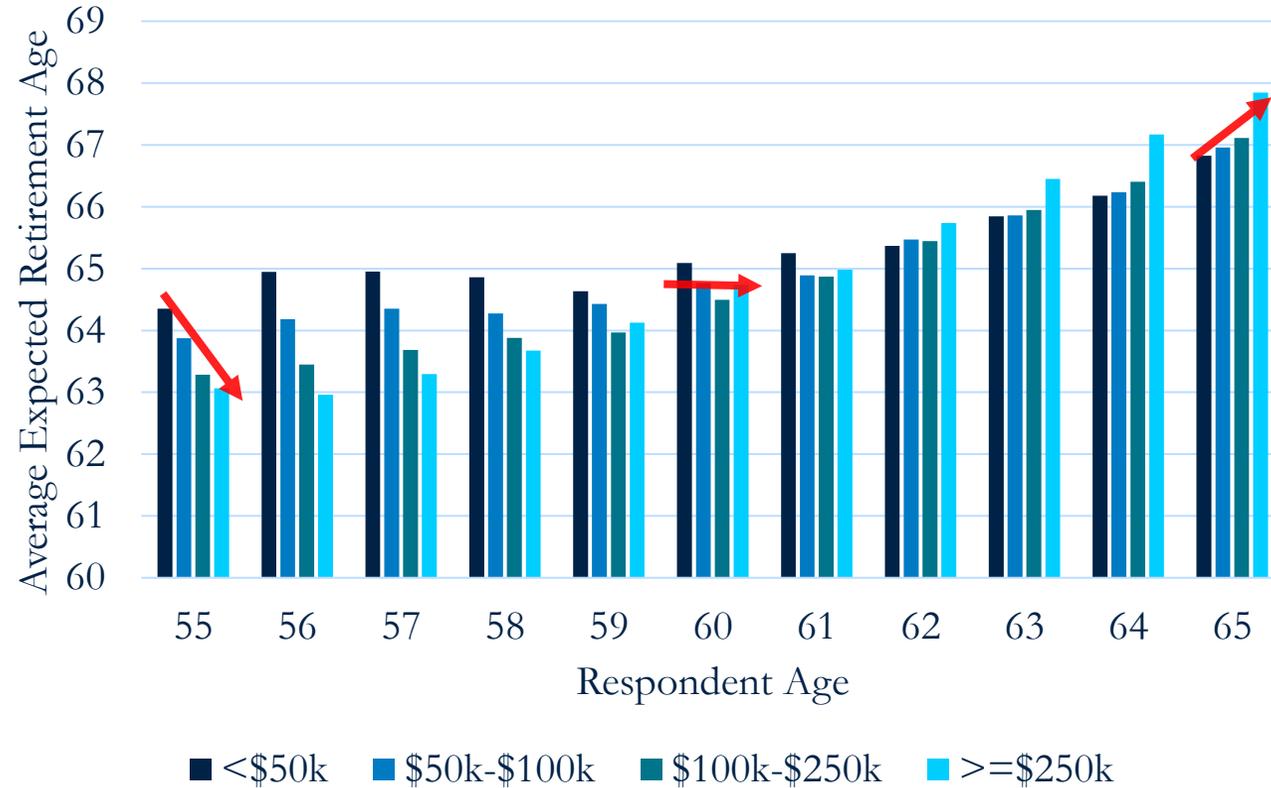
Average Age



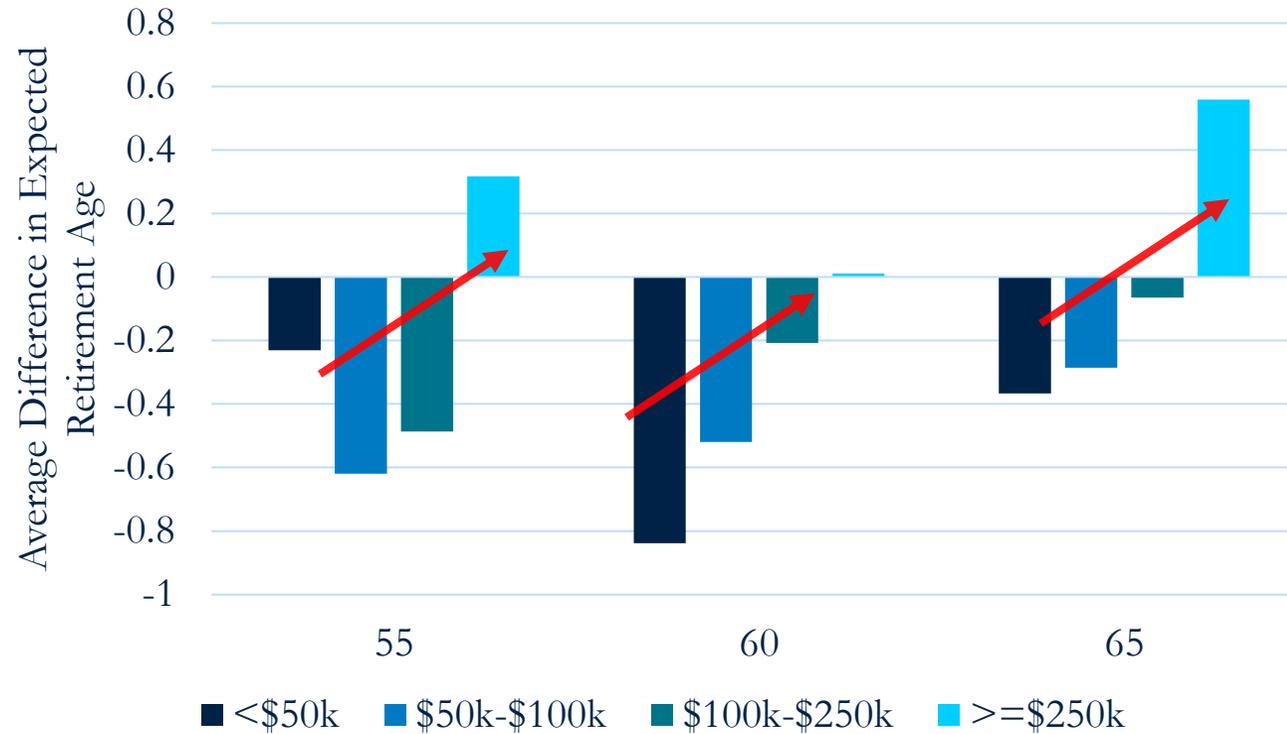
Distribution of Ages



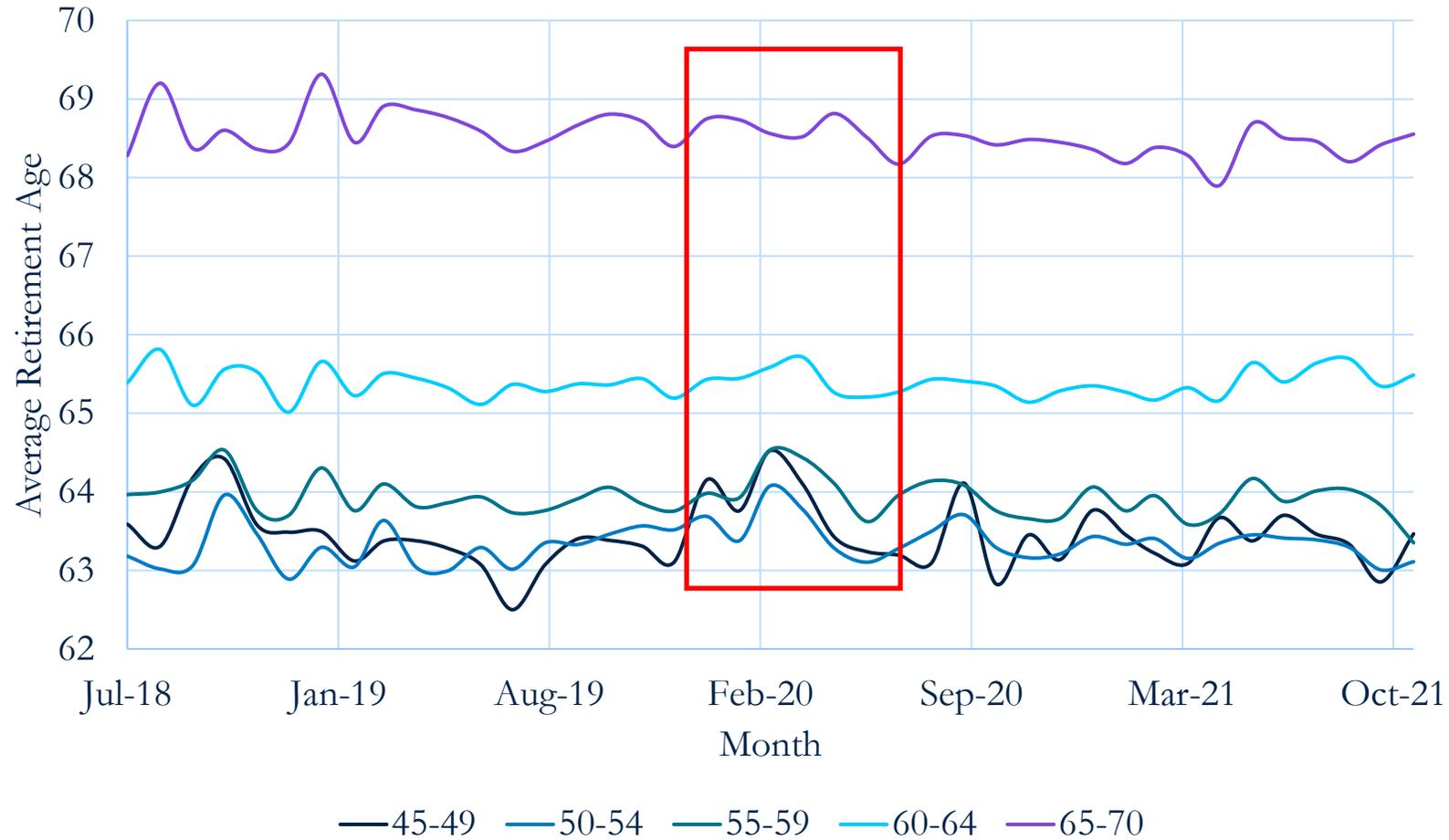
Expected Retirement Ages by Respondent Age and Income



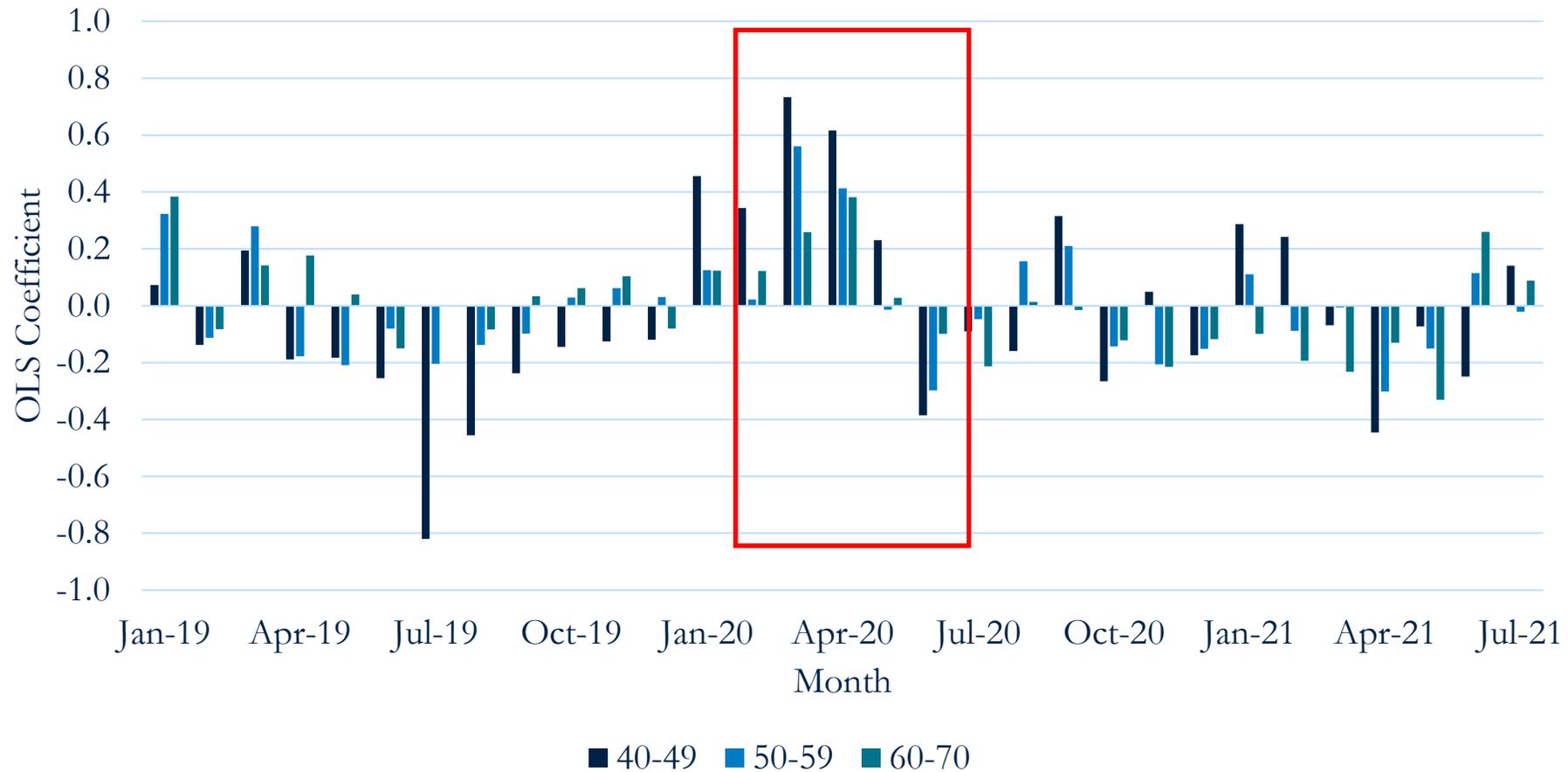
Difference Average Expected Retirement Age by Respondent Age and Household Income, Male Respondent minus Female Respondent



Time Varying Retirement Age Expectations

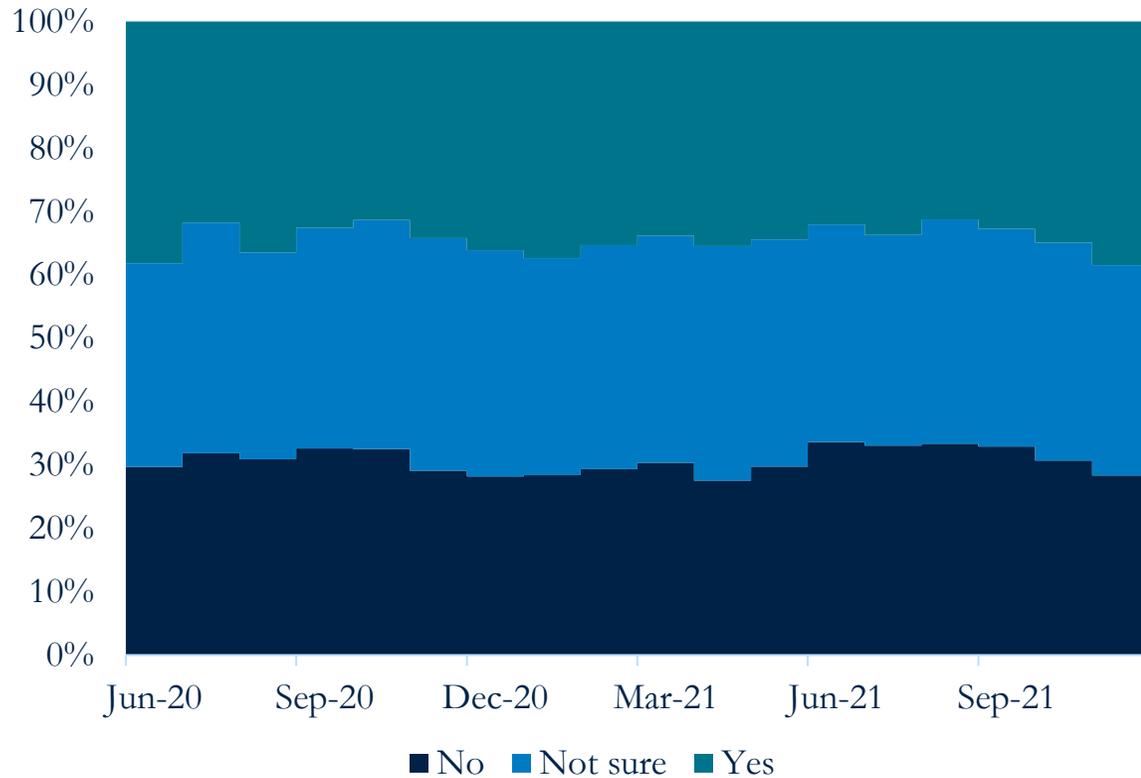


OLS Month Coefficient, Respondent Age Group Subsets

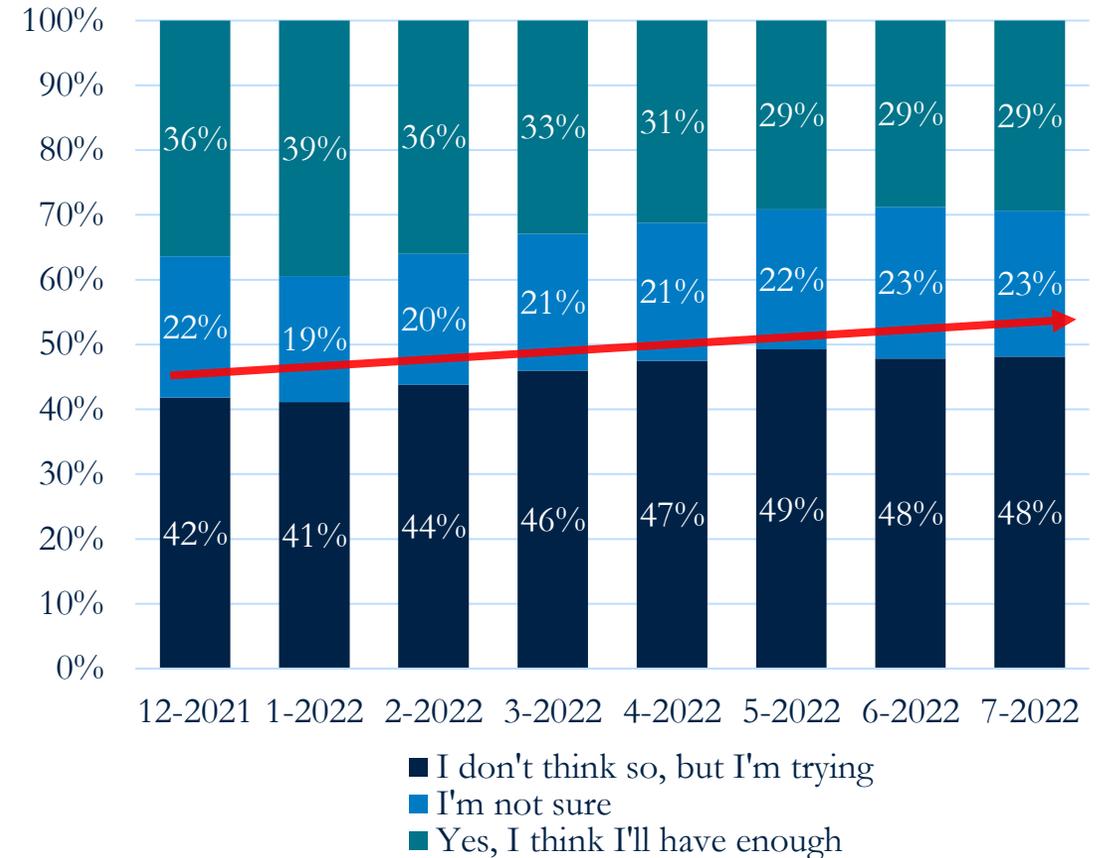


“Do you think you'll have enough savings for the retirement you want?”

June 2020 – November 2021 (Survey v2)



December 2021 – July 2022 (Survey v3)

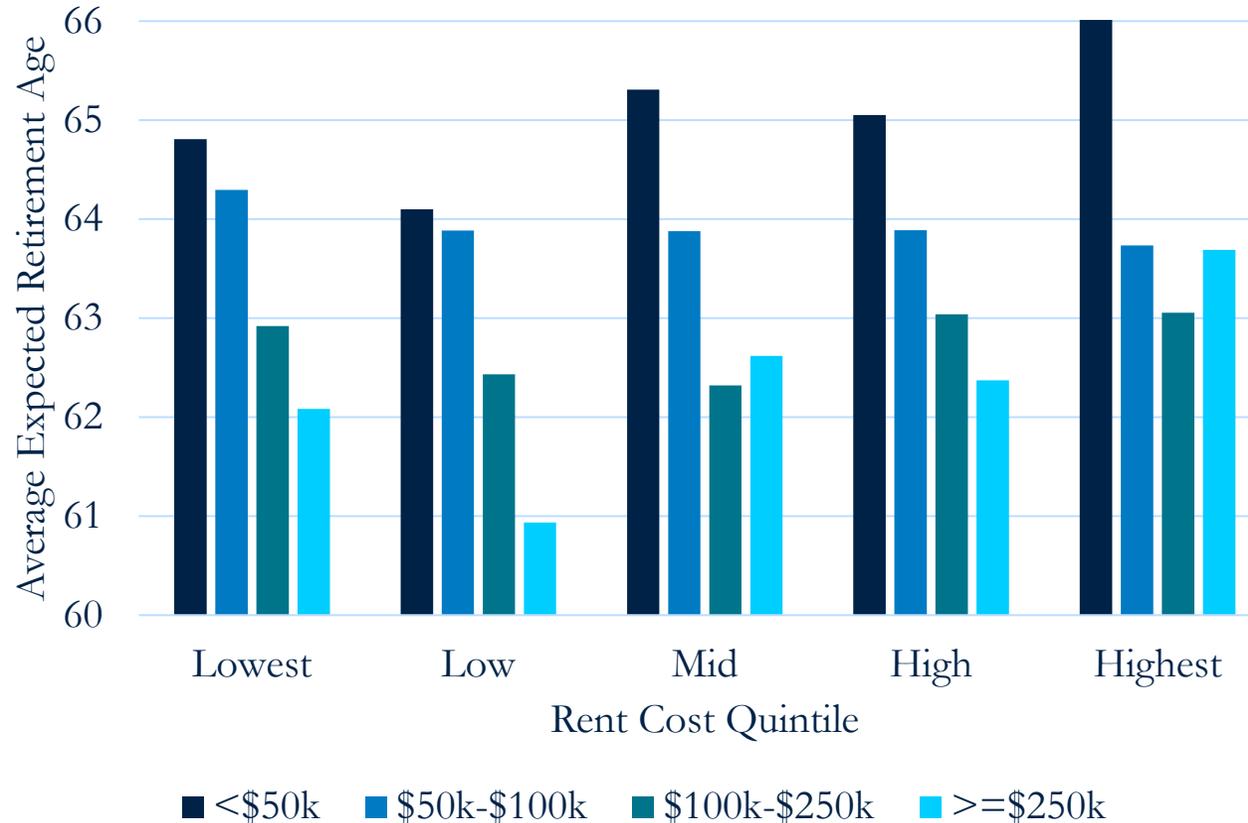


Distribution of Household Income Levels by Rent Cost Quintile



Respondents who live in higher cost areas, have higher rents, on average

Average Expected Retirement Age by Household Income and Rent Cost Quintile, Respondents Age 50



Summary Conclusions

- There are interesting demographic effects (e.g., age, income, gender) that need to be considered when analyzing retirement expectations, that potentially vary across ages (e.g., younger, lower income respondents (e.g., age 55) expect to retire later while older, lower income respondents (e.g., age 65) expect to retire later
- There was relatively little movement in retirement age expectations during COVID, especially for older participants (who are actually near retirement)
- The “Great Migration” could result in lower retirement age expectations, but that depends on how spending and expectations change.

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Christina Tunison, Investment Advisor Representative, LPL Financial



Q&A



Upcoming Events

September 22 — Insights Into the Expansion of New Preventive Care Benefits in HSA-Eligible Health Plans webinar

September 28 — Members-Only Research Round-Up webinar

September 29 — 2022 Financial Wellbeing Symposium

December 1 — 2022 Retirement Summit



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