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

EBRI Webinar
September 15, 2022
Speakers

Zhikun Liu, Senior Research Associate, EBRI

David Blanchett, Managing Director & Head of Retirement Research, PGIM

Christina Tunison, Investment Advisor Representative, LPL Financial

Moderator: Nevin Adams, Chief Content Officer, American Retirement Association
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.
2. About 44% of respondents had to stop work entirely vs. 56% who reported not having to.
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?"

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>30.8%</td>
</tr>
<tr>
<td>Quit job</td>
<td>6.5%</td>
</tr>
<tr>
<td>Furloughed or laid off temporarily</td>
<td>47.8%</td>
</tr>
<tr>
<td>Lost job or laid off permanently</td>
<td>14.9%</td>
</tr>
</tbody>
</table>

© Employee Benefit Research Institute 2022
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.

"How was your work affected?"

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>19.6%</td>
</tr>
<tr>
<td>Switched to working from home or working remotely</td>
<td>38.1%</td>
</tr>
<tr>
<td>Work became harder</td>
<td>9.2%</td>
</tr>
<tr>
<td>Work became more risky or dangerous</td>
<td>12.1%</td>
</tr>
<tr>
<td>Have to change work days/hours</td>
<td>21.0%</td>
</tr>
</tbody>
</table>
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?"

<table>
<thead>
<tr>
<th>Income decreased</th>
<th>Income increased</th>
<th>Remains the same</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.1%</td>
<td>5.2%</td>
<td>75.7%</td>
</tr>
</tbody>
</table>
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?"

<table>
<thead>
<tr>
<th>Spending went down</th>
<th>Spending went up</th>
<th>Did not change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>20.1%</td>
<td>20.8%</td>
</tr>
</tbody>
</table>
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.

![Average Percentage of Participants Reporting Work Affected By Age Categories](chart)
8. No particular wage group reported their work was significantly more affected by COVID-19 than other groups.
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.
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.”

Average Planned/Expected Retirement Age Trends

Plan to stop working
Think will stop working
Linear (Plan to stop working)
Linear (Think will stop working)
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.
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

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

Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$
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.

![Average Age of Planned/Expected Retirement Work Affected by COVID](image-url)
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

David Blanchett, PhD, CFA, CFP®
Head of Retirement Research
PGIM DC Solutions

September 15, 2022
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

Average Expected Retirement Age

Respondent Age

<$50k  $50k-$100k  $100k-$250k  >=$250k
Difference Average Expected Retirement Age by Respondent Age and Household Income, Male Respondent minus Female Respondent
Average Expected Retirement Age by Month and Respondent Age Group

Average Expected Retirement Age by Month

\[ y = -0.0002x + 73.297 \]
\[ R^2 = 0.1039 \]

Average Respondent Age by Month

\[ y = -0.001x + 89.251 \]
\[ R^2 = 0.0622 \]
OLS Month Coefficient, Respondent Age Group Subsets


40-49  50-59  60-70

Confidential – Not for Further Distribution
“Do you think you'll have enough savings for the retirement you want?”

June 2020 – November 2021 (Survey v2)

December 20210 – July 2022 (Survey v3)
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.

There can be no guarantee that any projections will be achieved.
Disclosures

PGIM, Inc. (“PGIM”) is the primary asset management business of Prudential Financial, Inc. (“PFI”) and is a registered investment adviser with the US Securities and Exchange Commission. PGIM DC Solutions is an SEC-registered investment adviser, a Delaware limited liability company and is a direct wholly owned subsidiary of PGIM Quantitative Solutions LLC, and an indirect wholly-owned subsidiary of PGIM, Inc., the principal asset management business of Prudential Financial, Inc. of the United States of America. PFI of the United States is not affiliated in any manner with Prudential plc incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom. Registration with the SEC does not imply a certain level of skill or training.

Receipt of these materials by anyone other than the intended recipient does not establish a relationship between such person and PGIM DC Solutions LLC (“PGIM DC Solutions”) or any of its affiliates. These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security. The information presented is not intended as investment advice and is not a recommendation about managing or investing retirement savings. These materials do not take into account individual investment objectives or financial situations.

Any projections or forecasts presented herein are as of the date of this presentation and are subject to change without notice. Projections and forecasts are subject to high levels of uncertainty. These materials do not purport to provide portfolio performance that do not affect benchmark performance may include portfolio rebalancing, the timing of cash flows, credit quality, diversification and differences in volatility. In addition, financial indices do not reflect the impact of fees, applicable taxes or trading costs which reduce returns.

Certain information contained in this document constitute "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the performance of the investments may differ materially from those reflected or contemplated in such forward-looking statements. Any projections or forecasts presented herein are as of the date of this presentation and are subject to change without notice. Actual data will vary and may not be reflected here. Projections and forecasts are subject to high levels of uncertainty. Accordingly, any projections or forecasts should be viewed as merely representative of a broad range of possible outcomes. Projections or forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. PGIM has no obligation to provide updates or changes to any projections or forecasts.

©2022 PFI and its related entities. PGIM, the PGIM logo, and the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide.
Christina Tunison, Investment Advisor Representative, LPL Financial
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

Please visit ebri.org for more information or contact info@ebri.org