

IRA WITHDRAWAL PATTERNS IN TIMES OF CRISIS

2020 EBRIEFING SERIES

September 15, 2020

SPEAKERS



Zahra Ebrahimi, Research Associate, EBRI



Valerie Radford, Head of Retirement Retail Solutions, Prudential Financial



Moderator: Sharon Carson, Executive Director, Retirement Strategist, J.P. Morgan Asset Management

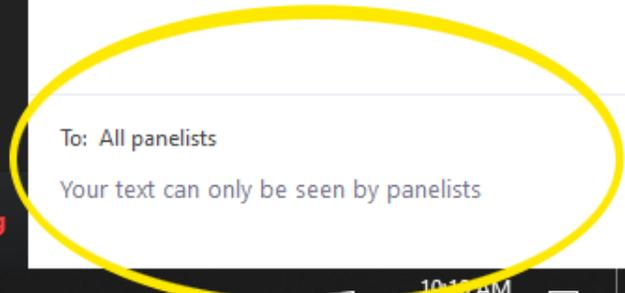
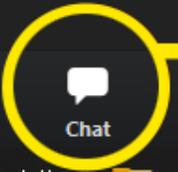
Enter Full Screen

Zoom Webinar Chat

John Doe

Click this button

Type question(s) here



Leave Meeting

Audio Settings

IRA WITHDRAWAL PATTERNS IN TIMES OF CRISIS

Zahra Ebrahimi,
Research Associate, EBRI

INTRODUCTION

- Saving for retirement has increasingly involved the use of individual retirement accounts (IRAs). According to the Health and Retirement Study (HRS) 2016, 48 percent of married households and 26 percent of single households reported owning such an account.
- Financial hardships caused by economic shocks such as the 2008–2009 Great Recession could lead IRA owners to tap into their account balances.
- Changes in policy such as an RMD waiver could impact withdrawal behaviors.
- To explore this, this study uses the data from HRS 2002–2016 to report the withdrawal behavior of households headed by those 50 and older.
- The discussion is focused on the share of households with an IRA withdrawal, withdrawal amounts, ratio of the IRA withdrawal to the account balance, and changes in households' financial assets before and after reaching RMD age.

DATA AND DEFINITIONS

IRA WITHDRAWAL DATA IN THE HRS

- Self-reported and is based on interviews that are conducted biennially.
- Households are asked whether they have withdrawn any money from their account since the previous interview/in the last two years; if so, how much money they withdrew during this period; and whether they took only the RMD.
- The HRS survey instrument does not distinguish between Traditional and Roth IRAs. All withdrawals are assumed to be from Traditional IRAs or Keogh accounts whenever the distinction matters.
- From other studies:
 - Based on the EBRI IRA database, in 2016, 28 percent of Traditional IRA owners took a withdrawal compared with 3.8 percent of Roth IRA owners (Copeland 2018).
 - Traditional IRA ownership among older households was twice that of Roth IRA ownership in 2016 (ICI Research Perspective, 2017).

DATA AND DEFINITIONS

OTHER VARIABLES

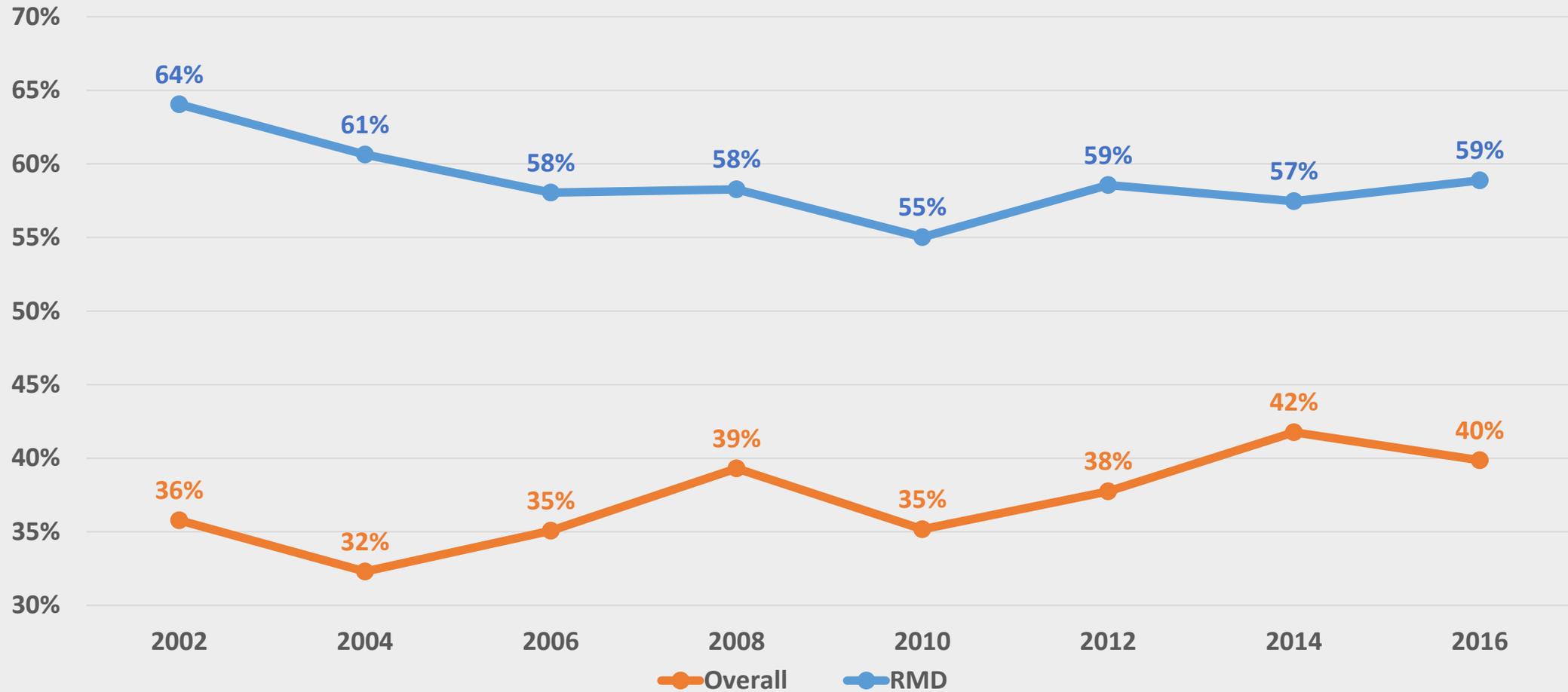
➤ **Retirement Status:**

- Self-reported and derived from the question: “At this time do you consider yourself to be completely retired, partly retired, or not retired at all?”
- In this study, those who answered “completely retired” are considered retired.
- Couple households are considered retired if at least one spouse is “completely retired.”

➤ **Financial Assets:** sum of value of stocks and mutual funds; checking, savings, and money market accounts; certificates of deposit (CDs), government savings bonds, Treasury bills, and bonds and bond funds; and other savings.

➤ **Non-Housing Wealth:** sum of gross value of all other real estate and net value of vehicles owned; IRAs, stocks, and mutual funds; checking, savings, and money market accounts; certificates of deposit (CDs), government savings bonds, Treasury bills, and bonds and bond funds; and any other source of wealth minus debt.

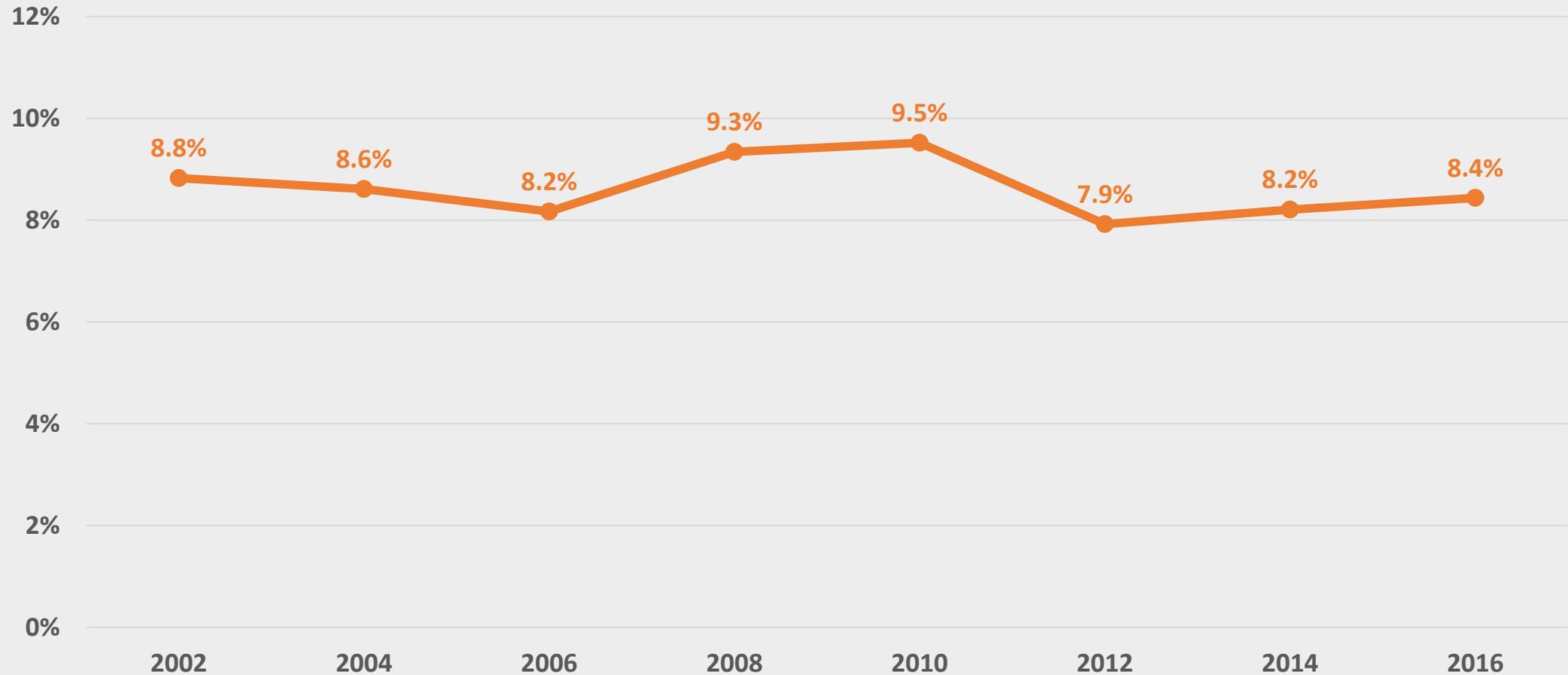
SHARE OF HOUSEHOLDS WITH IRA WITHDRAWAL AND SHARE OF HOUSEHOLD IRA WITHDRAWALS THAT WERE RMDs*



*Conditional on withdrawal.

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

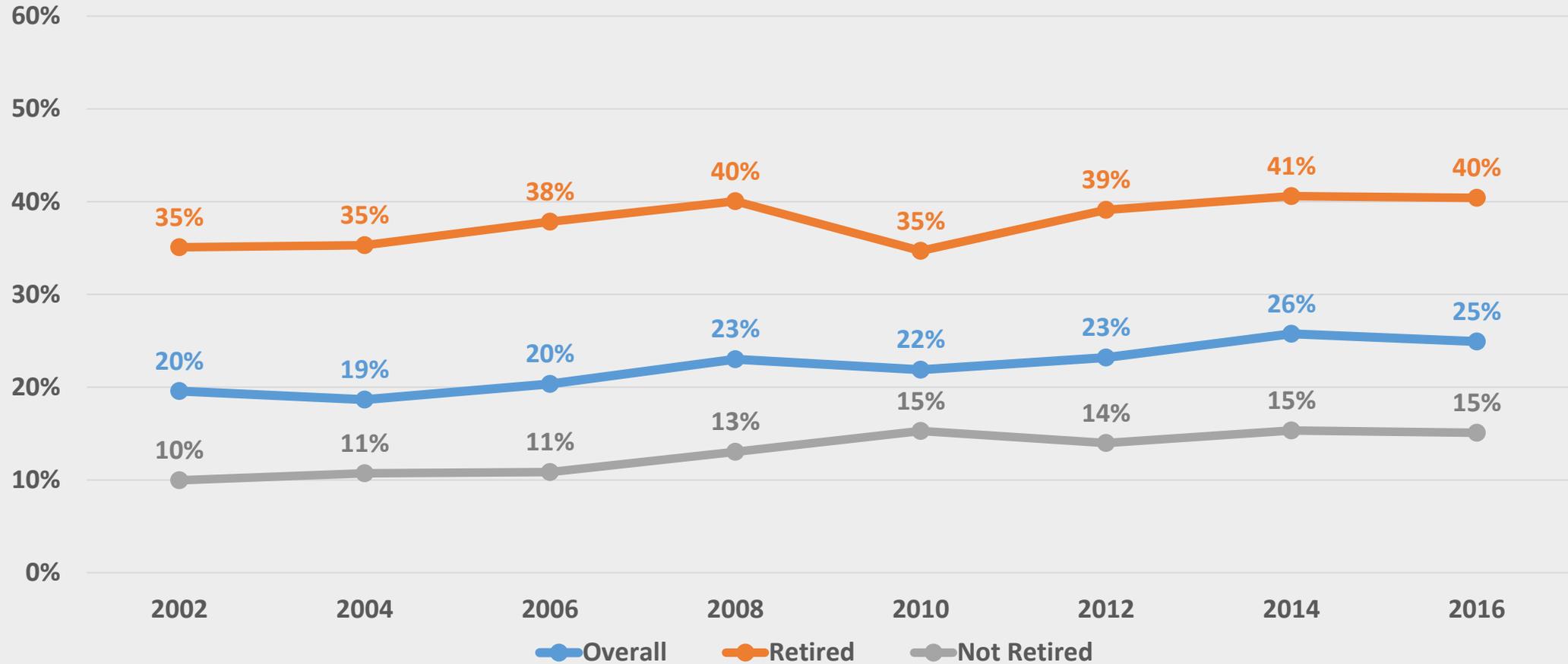
AVERAGE PERCENTAGE OF IRA BALANCES WITHDRAWN BIENNIALLY*



Note: *Conditional on Withdrawal

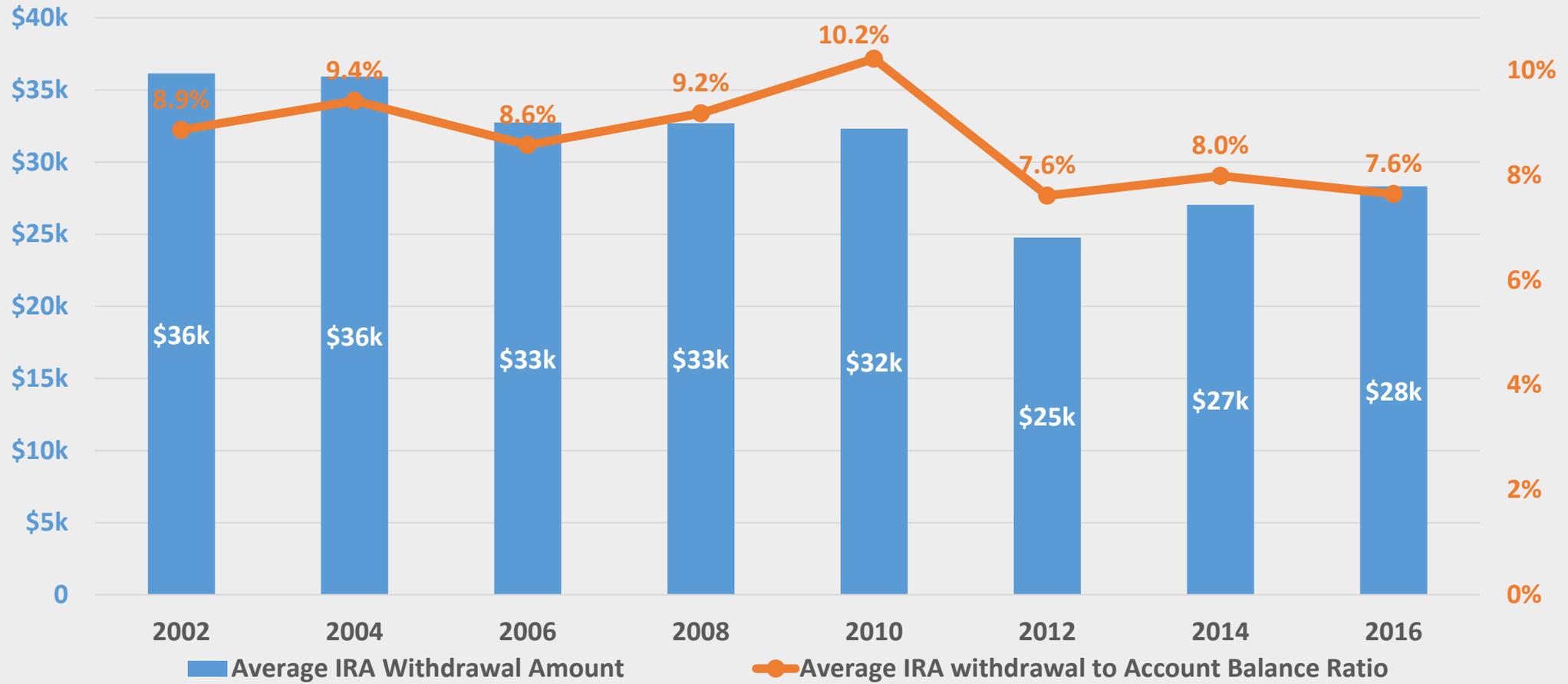
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

SHARE WITH IRA WITHDRAWALS BY RETIREMENT STATUS, 50–70 YEARS OLD



Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

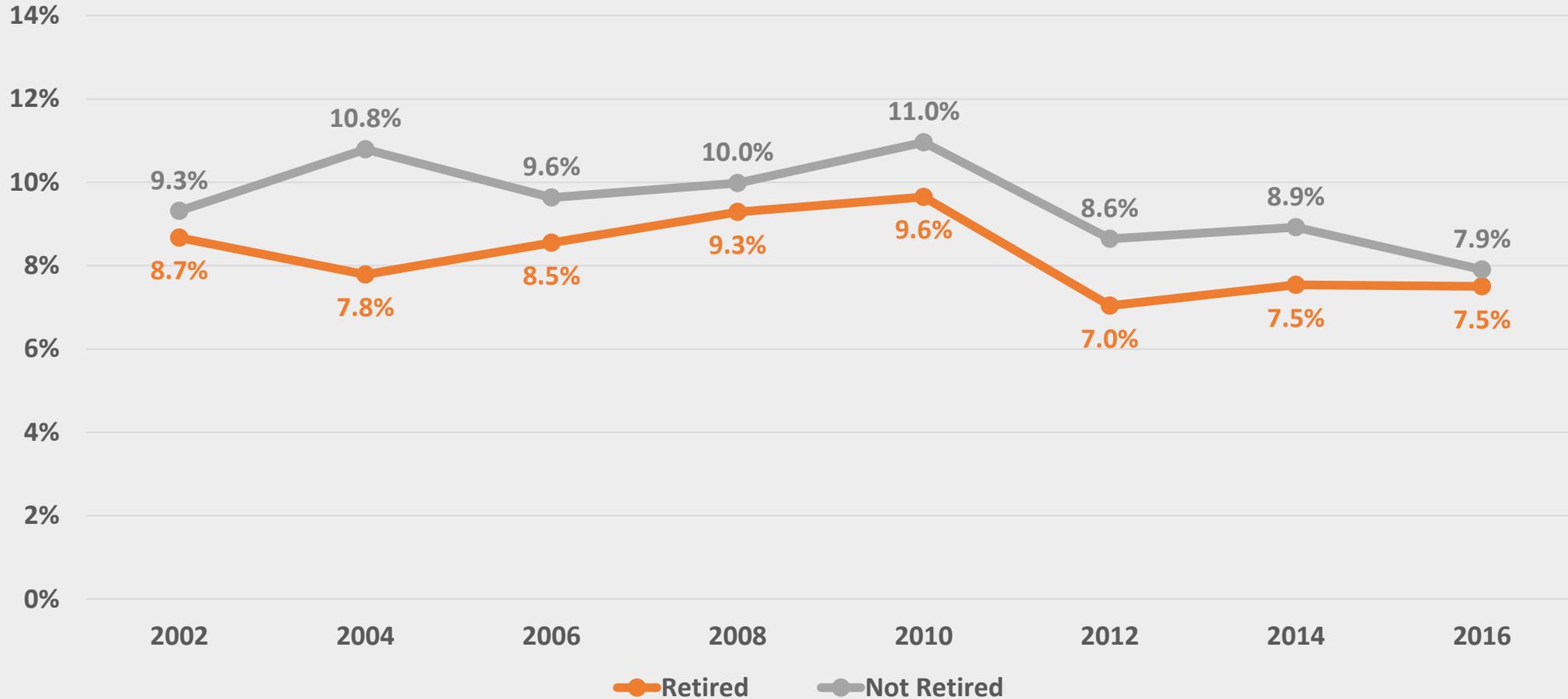
AVERAGE BIENNIAL IRA WITHDRAWALS: DOLLAR AMOUNT* AND AS PERCENTAGE OF IRA BALANCES**, 50–70 YEARS OLD



*In 2016 dollars, **conditional on withdrawal.

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

AVERAGE BIENNIAL IRA WITHDRAWALS AS A PERCENTAGE OF IRA BALANCES* BY RETIREMENT STATUS, 50–70 YEARS OLD

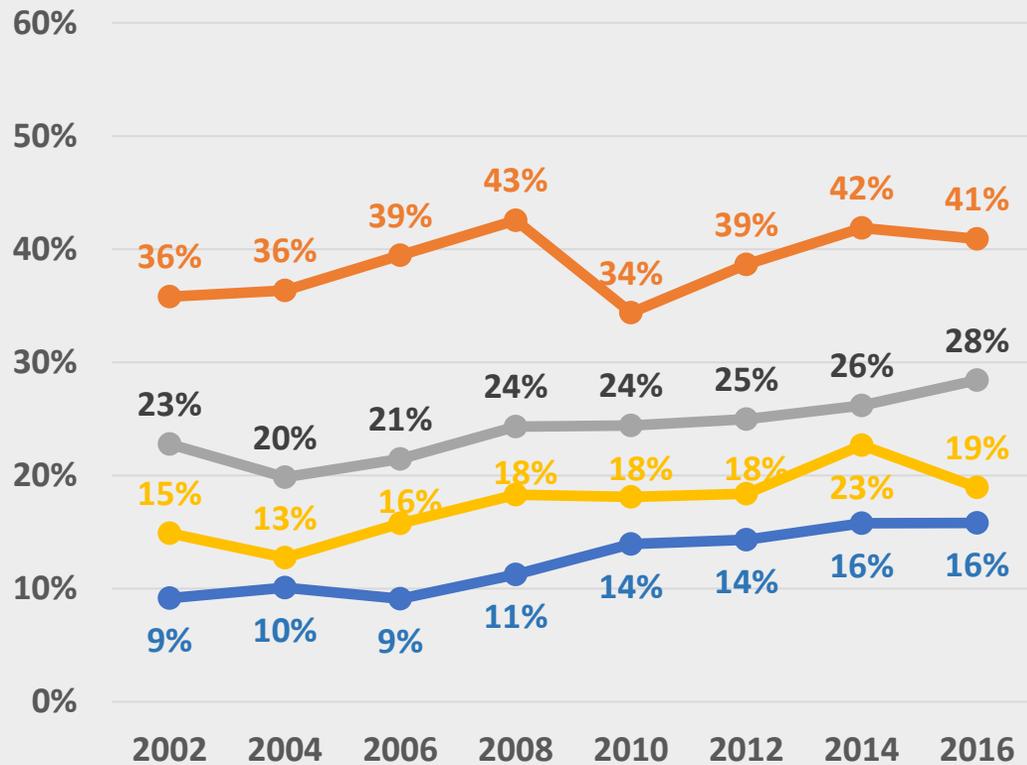


Note: *Conditional on Withdrawal

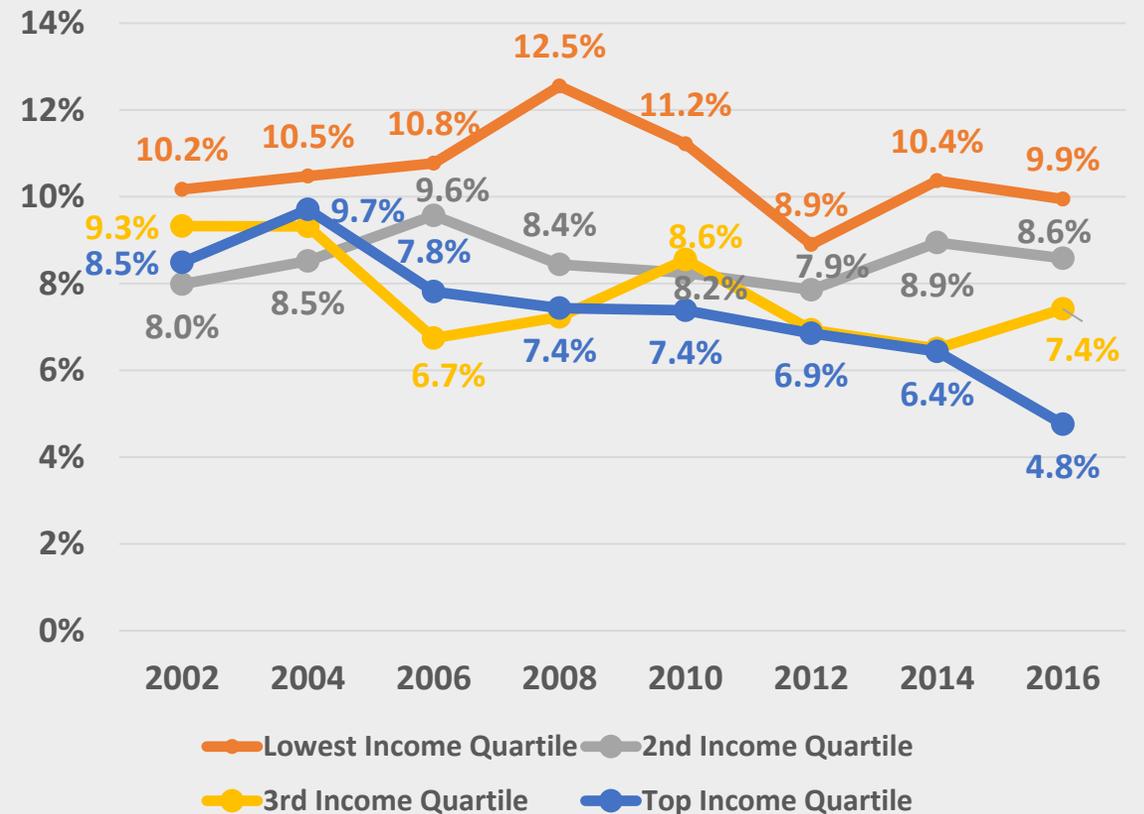
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

IRA WITHDRAWALS BY INCOME DISTRIBUTION, 50–70 YEARS OLD

Share With IRA Withdrawals



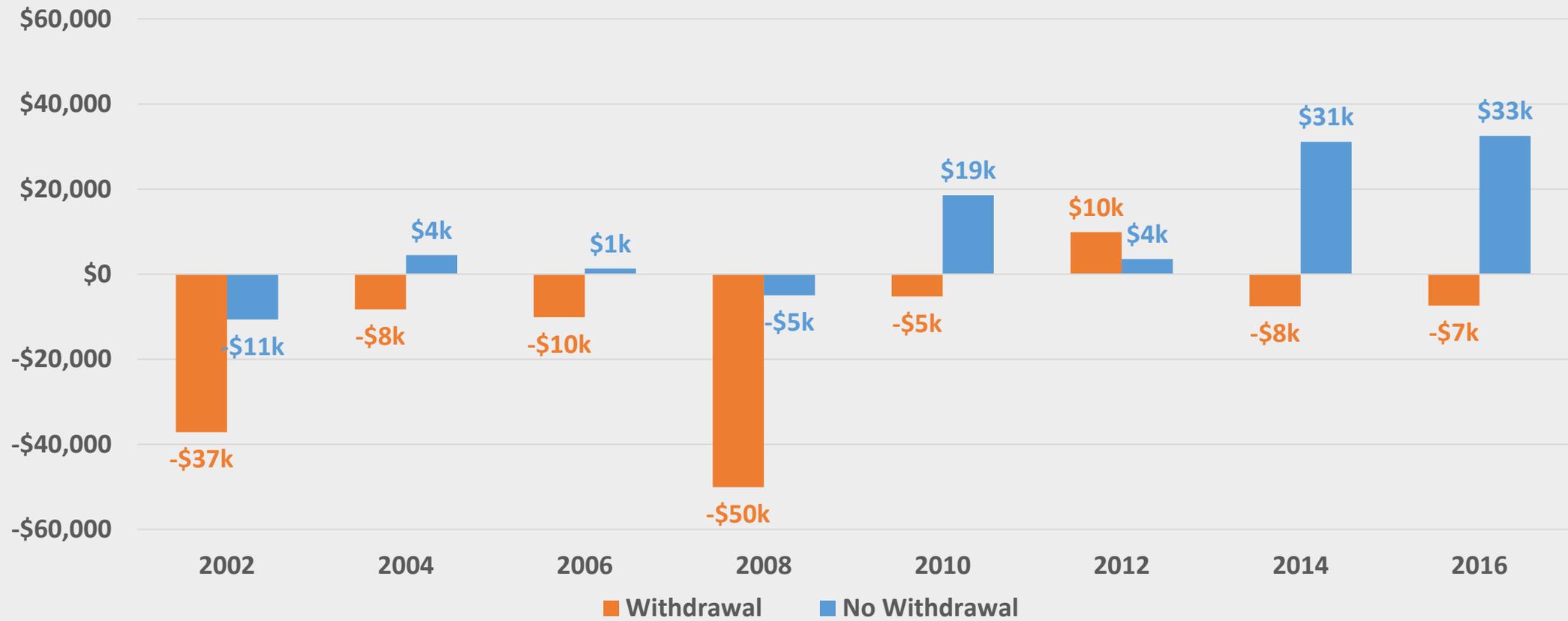
Average Biennial IRA Withdrawals as a Percentage of IRA Balances*



*Conditional on withdrawal.

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

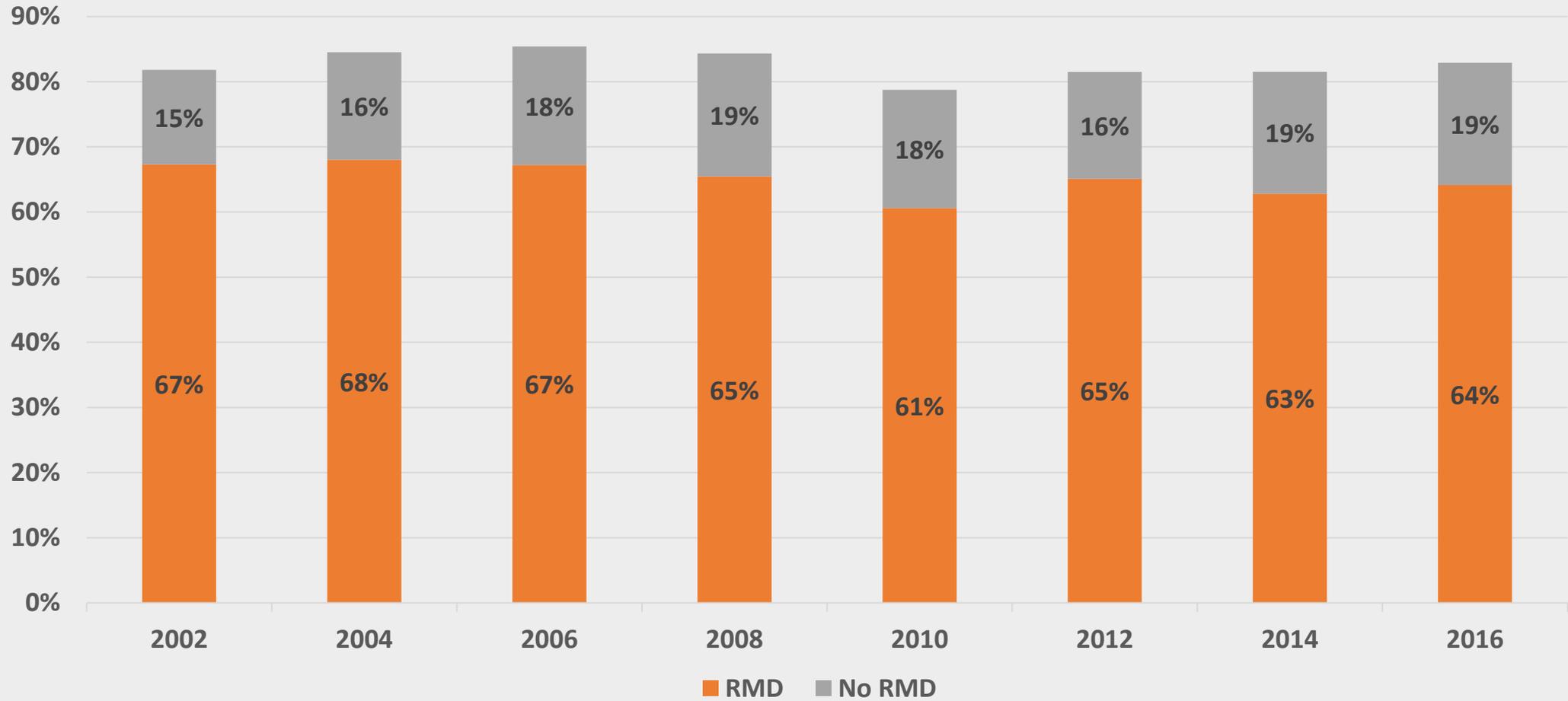
AVERAGE BIENNIAL CHANGE IN FINANCIAL ASSETS,* CONDITIONAL ON WITHDRAWAL STATUS, 50–70 YEARS OLD



Note: *In 2016 dollars.

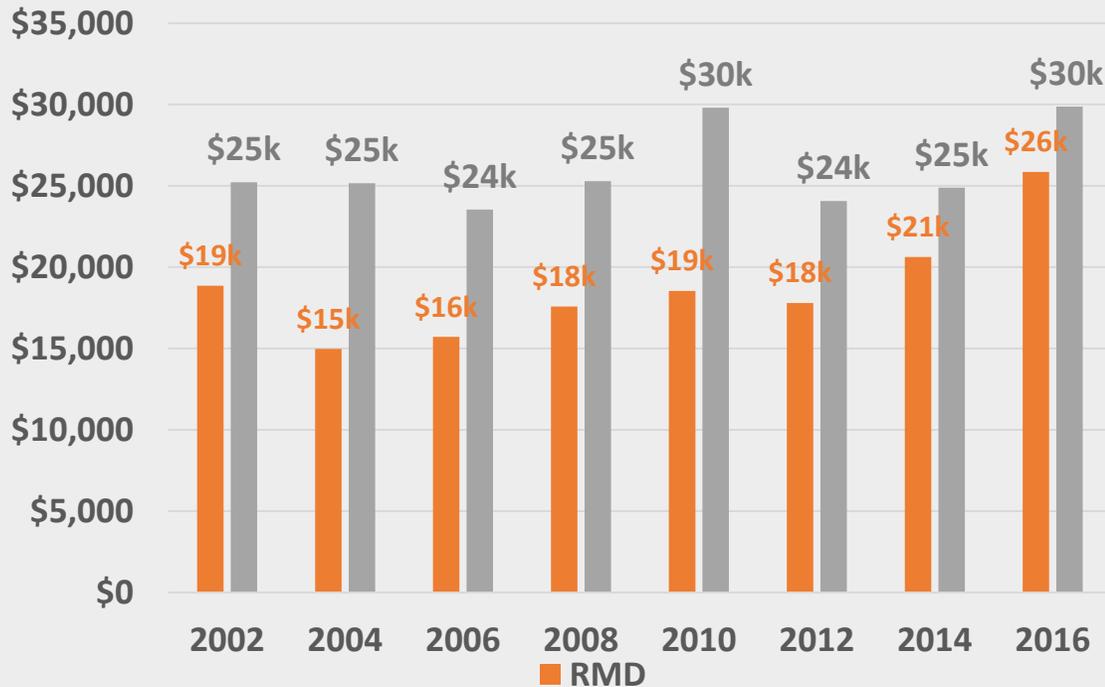
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

SHARE WITH IRA WITHDRAWALS BY RMD, 71 AND OLDER



Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

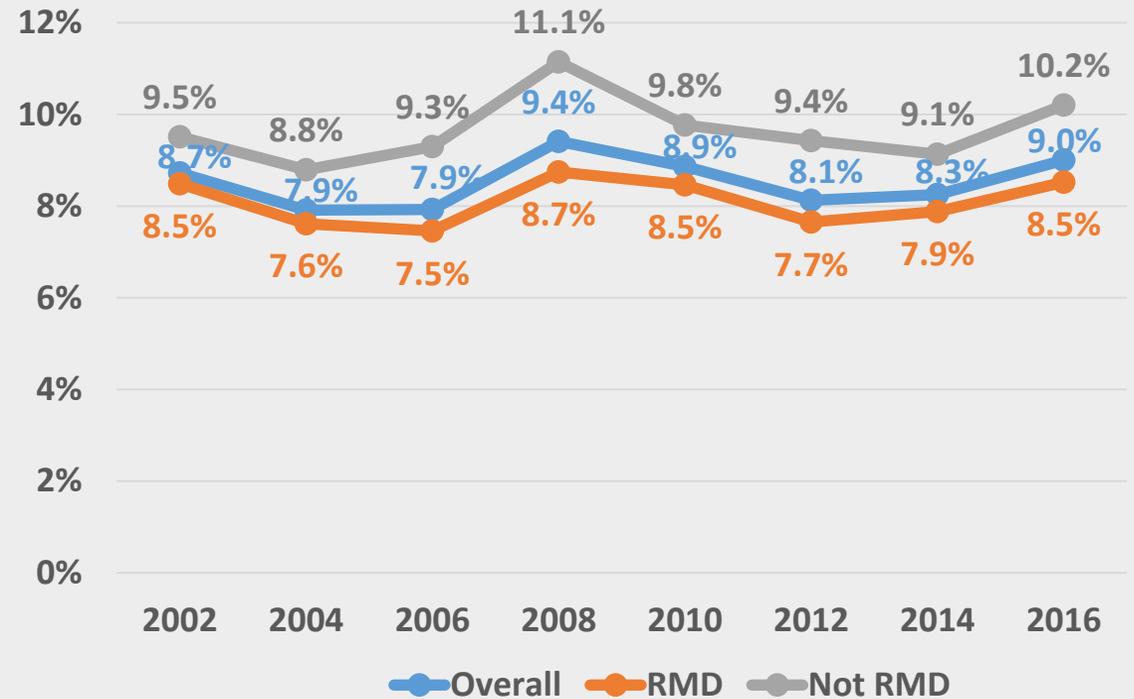
Average Biennial Amount of IRA Withdrawals* by RMD, 71 and Older



*Conditional on withdrawal, in 2016 dollars.

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

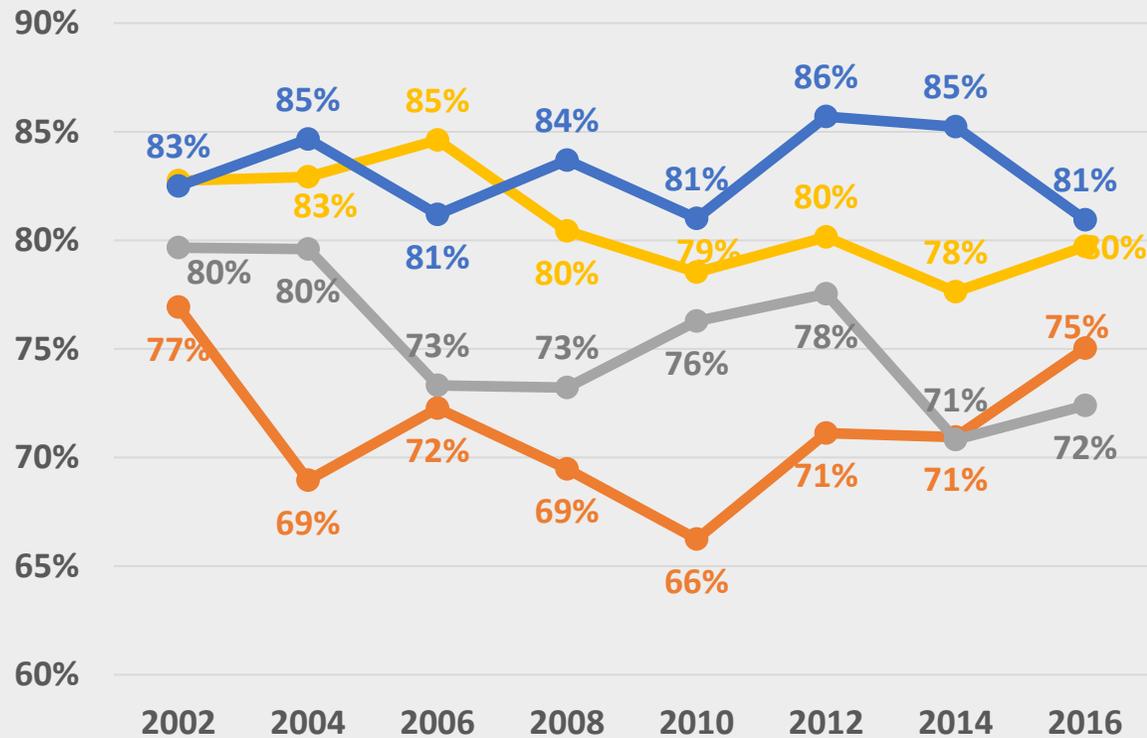
Average Biennial IRA Withdrawals as a Percentage of IRA Balances* by RMD, 71 and Older



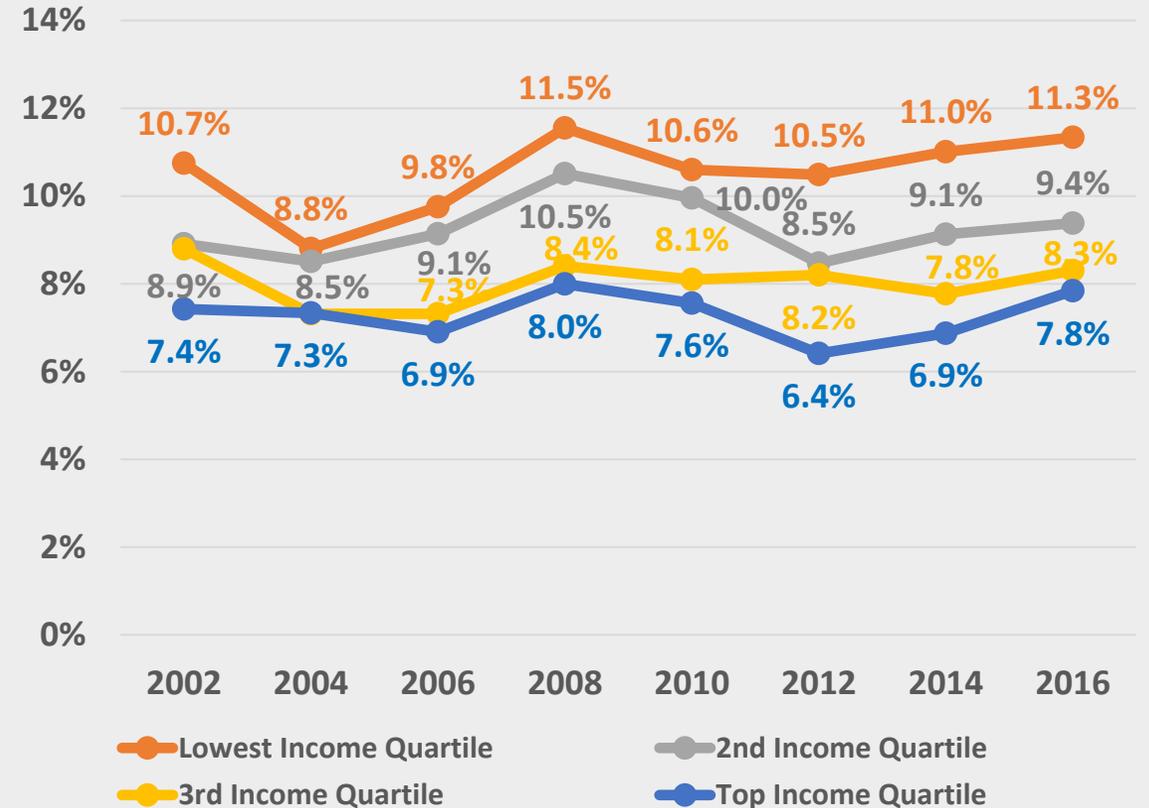
*Conditional on withdrawal.

IRA WITHDRAWALS BY INCOME DISTRIBUTION, 71 AND OLDER

Share With RMD-Only Withdrawals



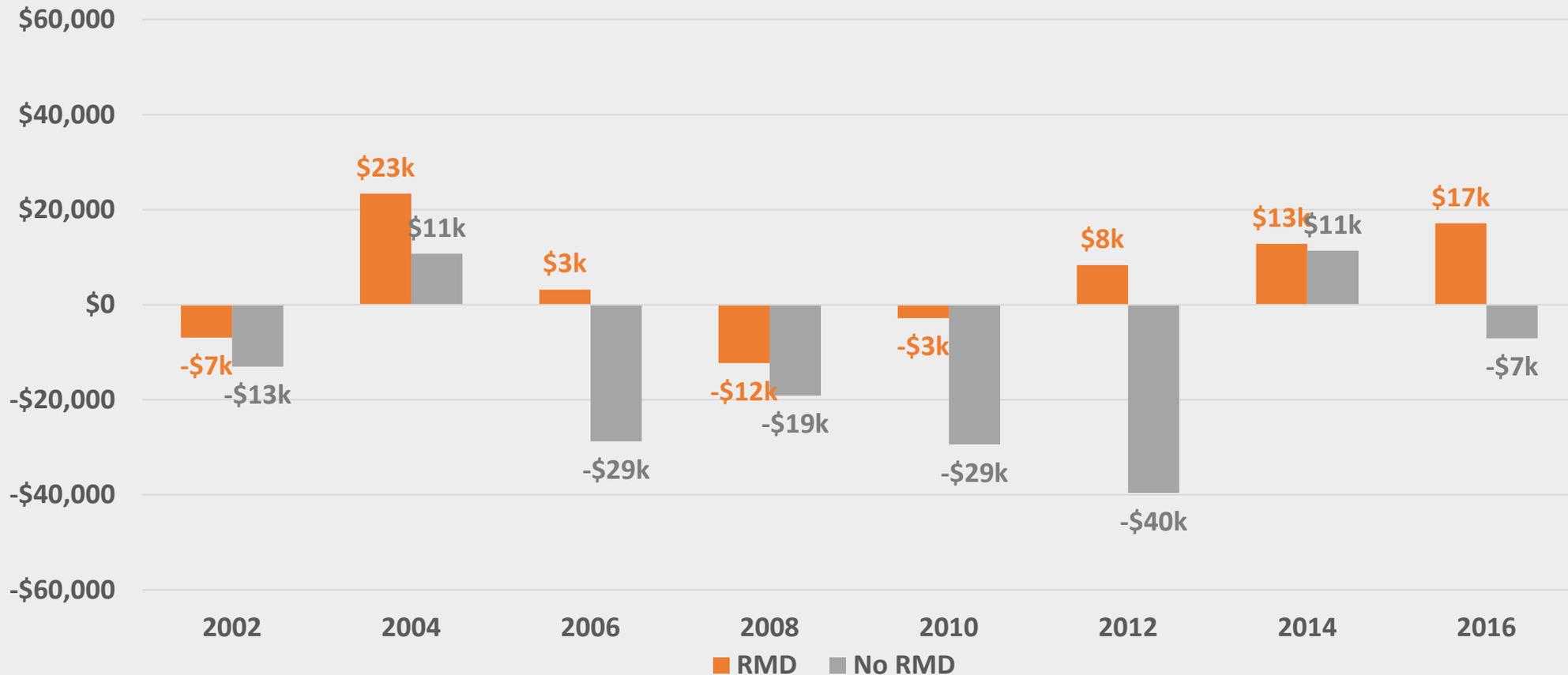
Average Biennial IRA Withdrawals as a Percentage of IRA Balances*



*Conditional on withdrawal.

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

AVERAGE BIENNIAL CHANGE IN FINANCIAL ASSETS,* CONDITIONAL ON RMD STATUS, 71 AND OLDER



Note: *Conditional on Withdrawal, in 2016 dollars.

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

AVERAGE BIENNIAL CHANGE IN NON-HOUSING WEALTH,* CONDITIONAL ON RMD STATUS, 71 AND OLDER



Note: *Conditional on Withdrawal, in 2016 dollars.

MAIN TAKEAWAYS

- Both the share of IRA-owning households ages 50–70 reporting IRA withdrawals and the average percentage of their account balances withdrawn went up between 2008 and 2010.
- For households ages 71 and older who were subject to RMDs, the 2008 market downturn did not appear to have increased the share withdrawing from their IRAs. However, it did result in increased average withdrawals relative to account balances for those taking withdrawals in excess of the RMD.
- The 2009 RMD waiver had a modest impact in lowering the share of households who made RMD-only withdrawals.
- IRA withdrawals of households ages 50–70 and those ages 71 and older who withdrew more than the RMD were associated with a decline in the households' other financial assets.
- On average, households ages 71 and older who withdrew only RMDs increased their other financial savings and non-housing wealth.



**Valerie Radford,
Head of Retirement Retail Solutions,
Prudential Financial**

Q&A



UPCOMING EBRI PROGRAMS

Opening Session, 2020 Financial Wellbeing Symposium – 2020 Financial Wellness Survey: Employer Perspectives with Special Focus on the Impact of COVID-19 – September 22

The Impact of Medicare Buy-In Policy on Employers – September 29

American Savings Education Council Meeting: Financial Wellness in Times of Crisis – October 14

Winter Policy Forum Webinars – December 7, 8, and 10

Please visit ebri.org for more information.

Align your brand – Sponsor these events: contact Betsy Jaffe, jaffe@ebri.org