



Retirees in Profile: Evaluating Five Distinct Lifestyles in Retirement

EBRI Webinar

May 25, 2021

Speakers



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Research Associate,
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Contribution
Business, Wells
Fargo Asset
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**Moderator: Brett
Hammond,
Research
Leader, Capital
Group, & EBRI
Research
Committee Chair**

Acknowledgment

- EBRI was able to fund the development of this research thanks to a generous grant from the **RRF Foundation for Aging**.
- Thanks to the RSRC members whose comments/suggestions helped improve and clarify the findings of this research: **American Funds/Capital Group, Ameriprise Financial, BlackRock, Empower Retirement, J.P. Morgan, Mercer, Principal Financial Group, Prudential, Retirement Clearinghouse, SS&C Technologies, Transamerica Retirement Services, and Wells Fargo.**

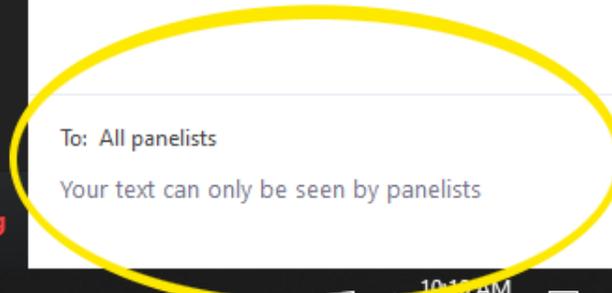
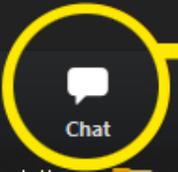
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The After Show



- This members-only discussion begins at 2:50 pm, immediately after Q&A.
- We kindly ask all non-members and those wishing not to participate to leave the webinar promptly at this time.
- If you are a member and did not initially register to attend the After Show, please feel free to stay for it.

Introduction

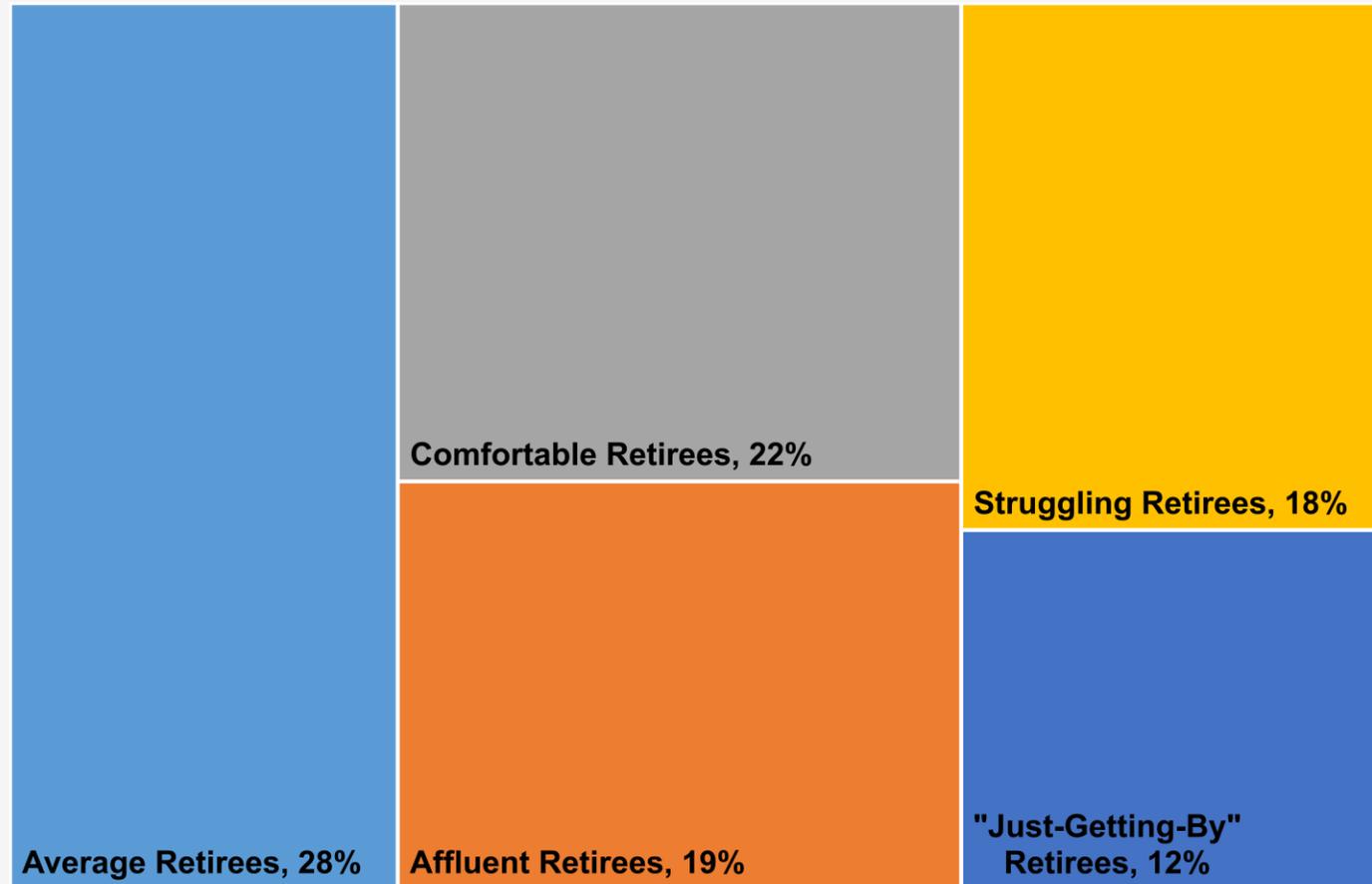
- How retirement lifestyles are affected by socioeconomic status?
- EBRI's research: development of retiree profiles
- The data: EBRI's survey of 2,000 retired households aged 62 to 75 and with fewer than \$1 million in financial assets conducted in September 2020
- Methodology: Cluster Analysis

Issue Brief: <https://www.ebri.org/retirement/publications/issue-briefs/content/retirees-in-profile-evaluating-five-distinct-lifestyles-in-retirement>

EBRIInteractive (Survey Responses): <https://www.ebri.org/publications/research-publications/ebriinteractive/sources-of-income-and-standard-of-living>

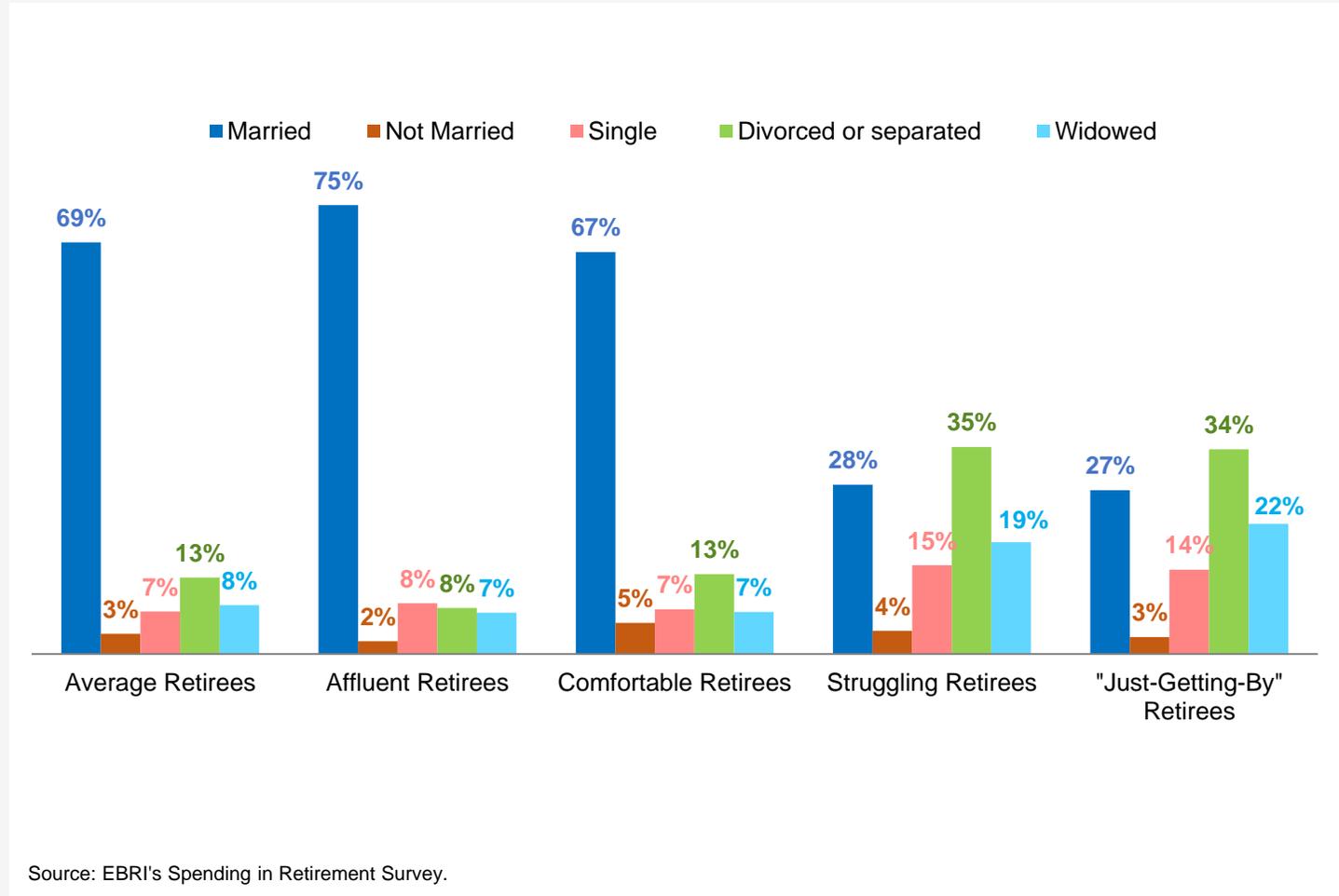
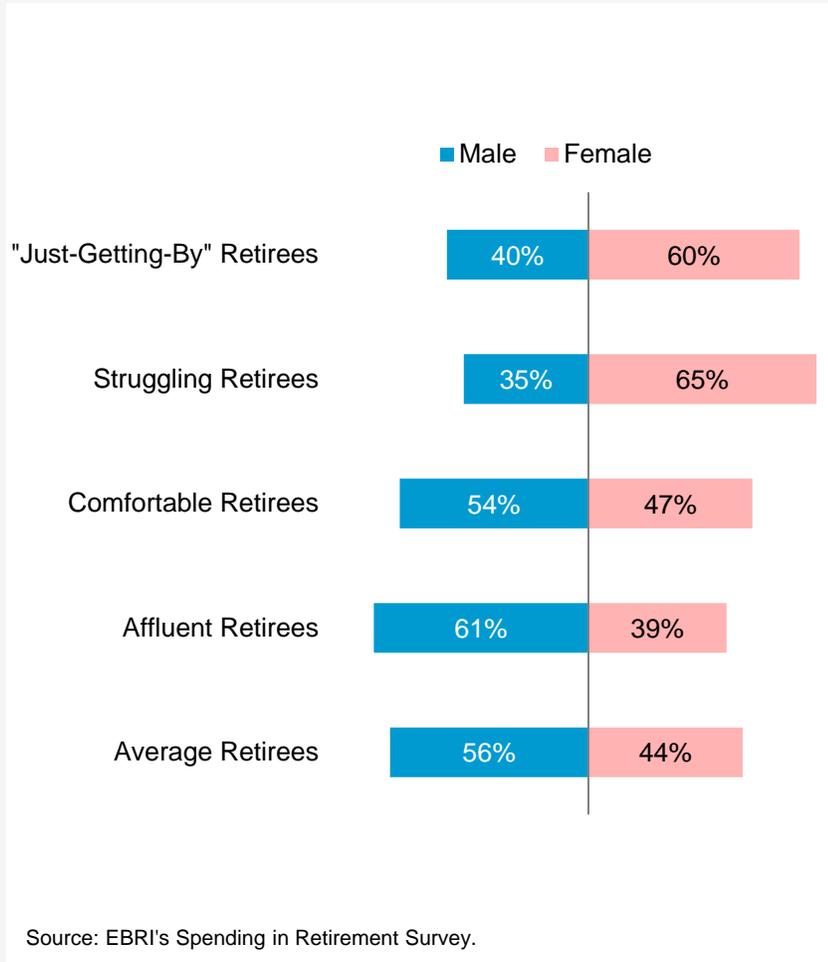
Retirement Profiles

- Using Cluster Analysis, survey participants were divided into groups based on their responses to financial status and a few spending behavior questions.
- The most distinguishing factors were the levels of financial assets, income, debt, and homeownership.

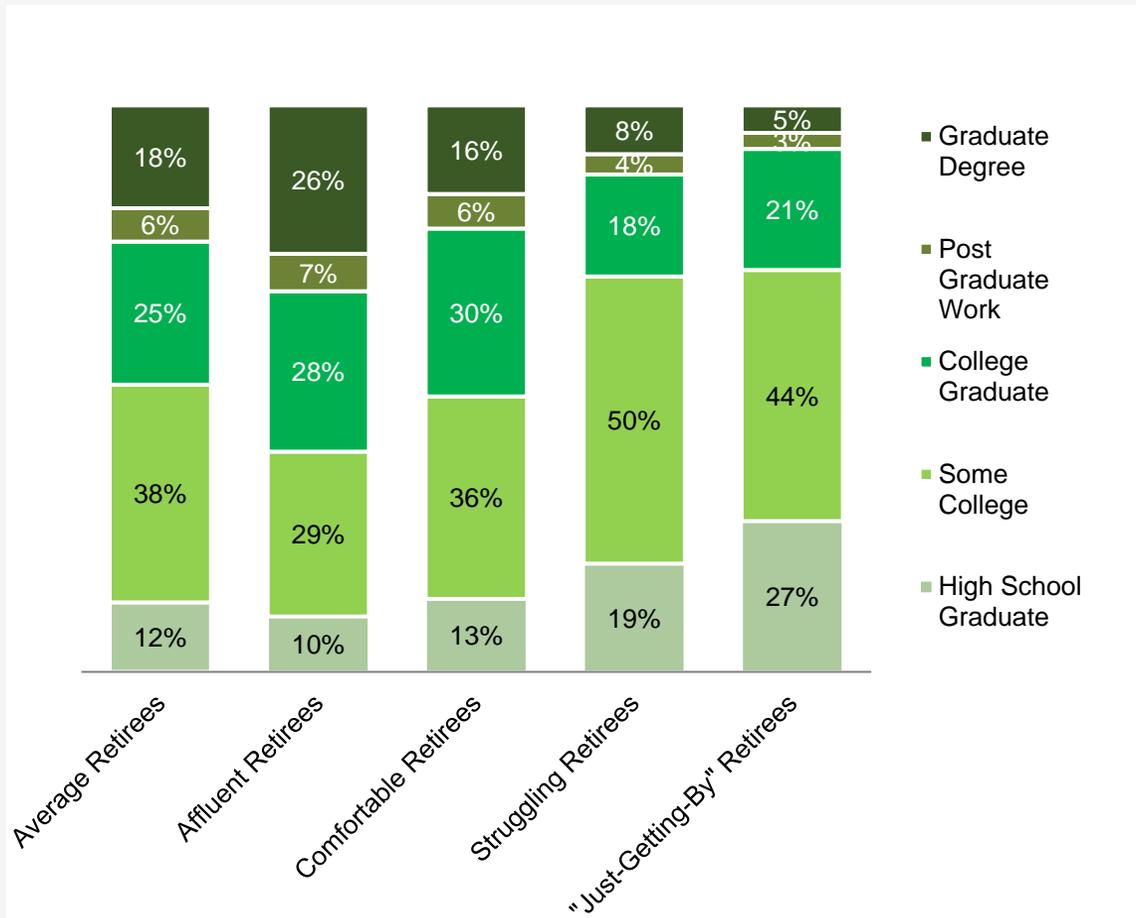


Source: EBRI's Spending in Retirement Survey.

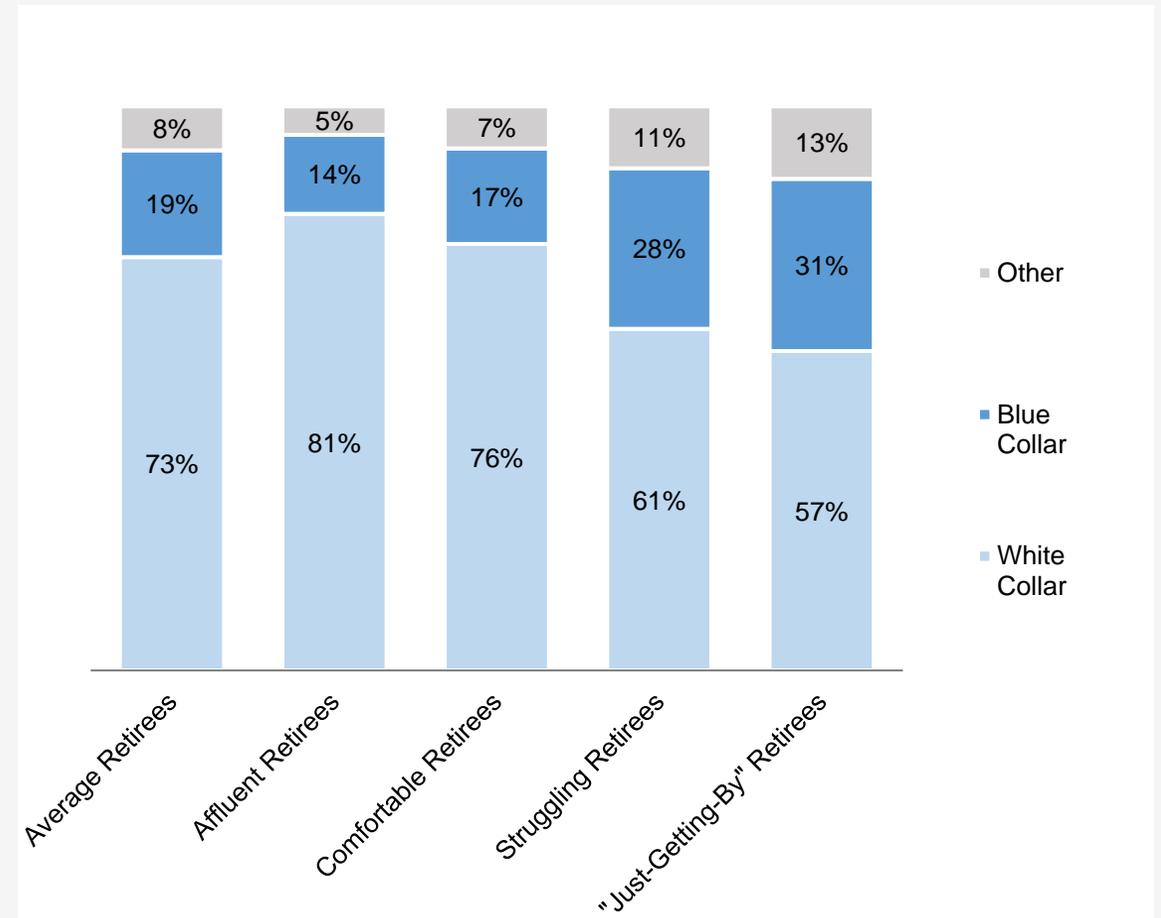
Demographics Play a Role: Retiree Profiles by Gender and Marital Status



Educational Level and Last Employment Type Are Correlated with the Outcome



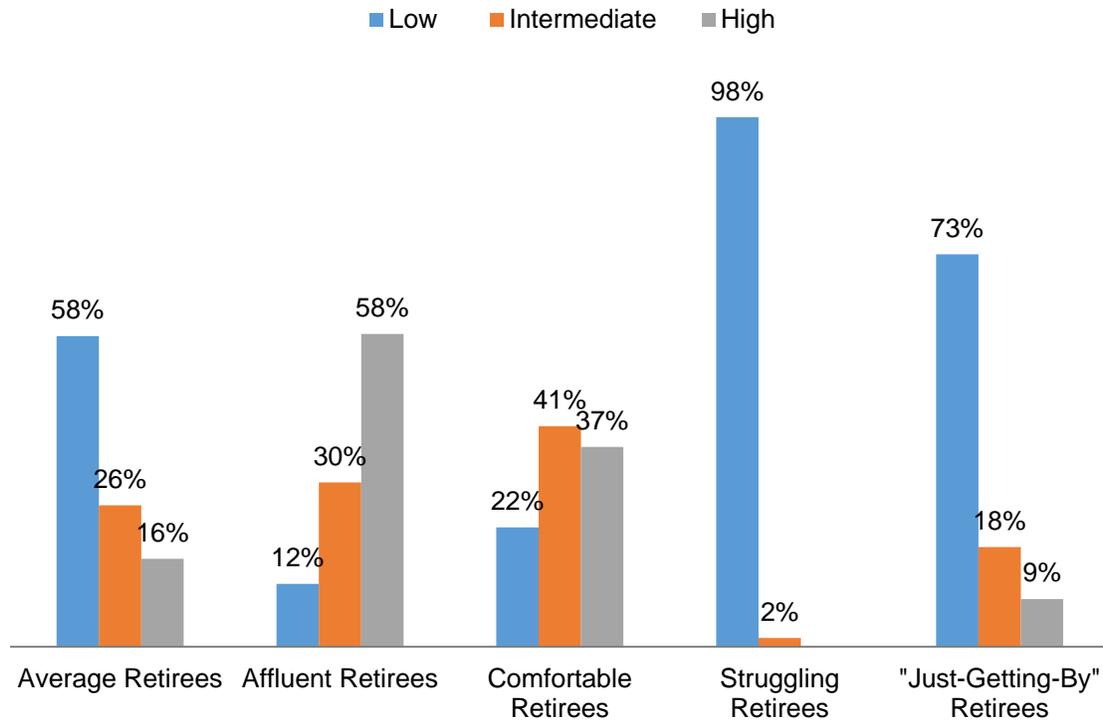
Source: EBRI's Spending in Retirement Survey.



Source: EBRI's Spending in Retirement Survey.

Financial Assets and Annual Income Were Among Defining Factors

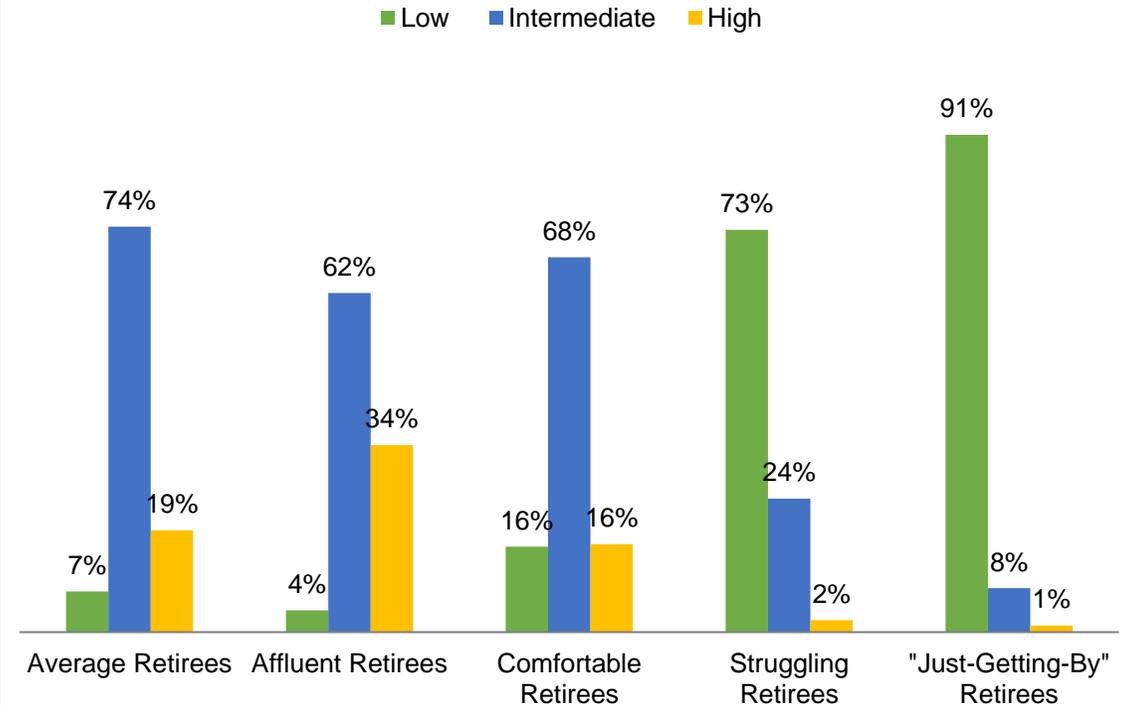
Financial Assets Level



Note: *Low*: Less than or equal to \$99,000, *Intermediate*: More than \$99,000 and less than or equal to \$320,000, *High*: More than \$320,000.

Source: EBRI's Spending in Retirement Survey.

Annual Income Level

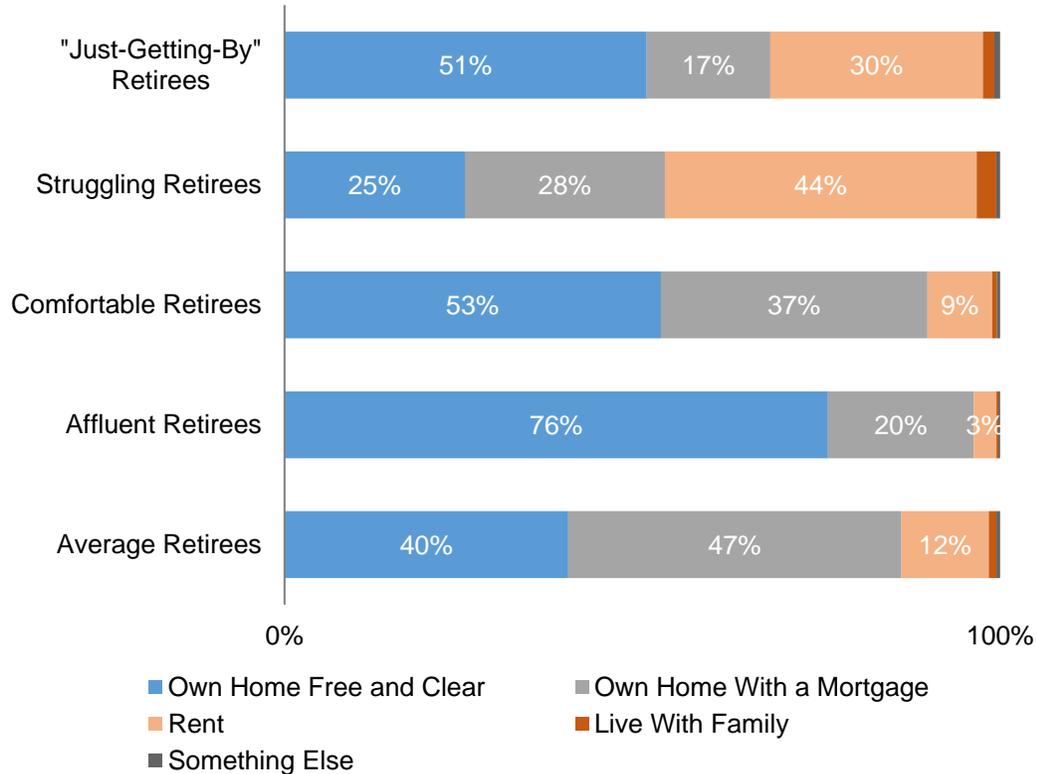


Note: *Low*: Less than \$40,000, *Intermediate*: More than or equal to \$40,000 and less than \$100,000, *High*: Equal or more than \$100,000.

Source: EBRI's Spending in Retirement Survey.

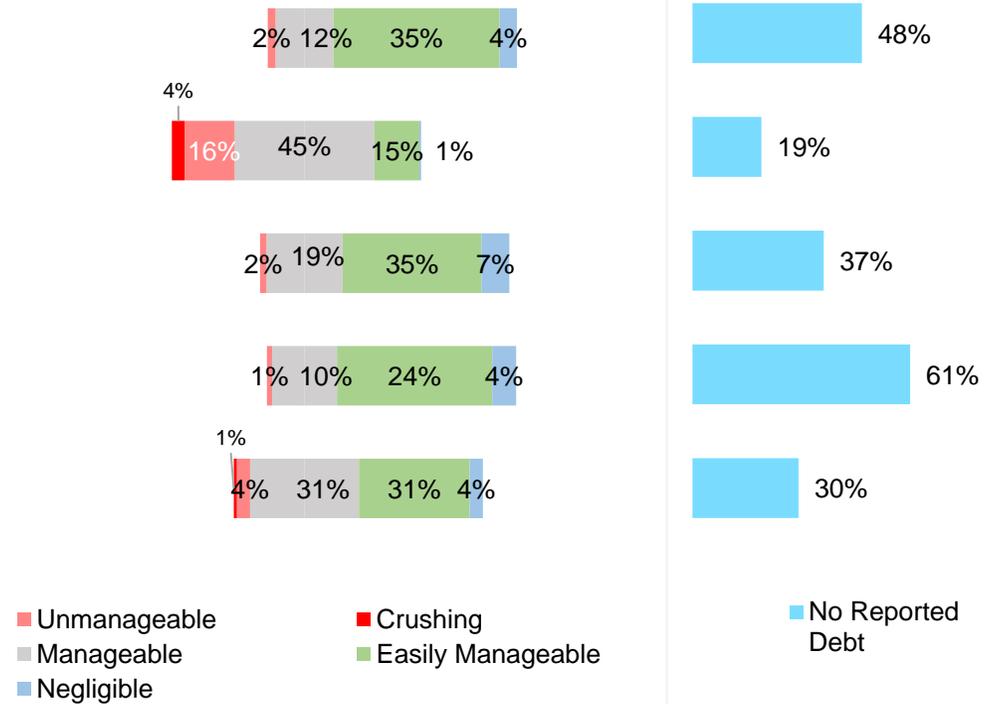
Homeownership and Debt Status Are Equally Important...

Homeownership



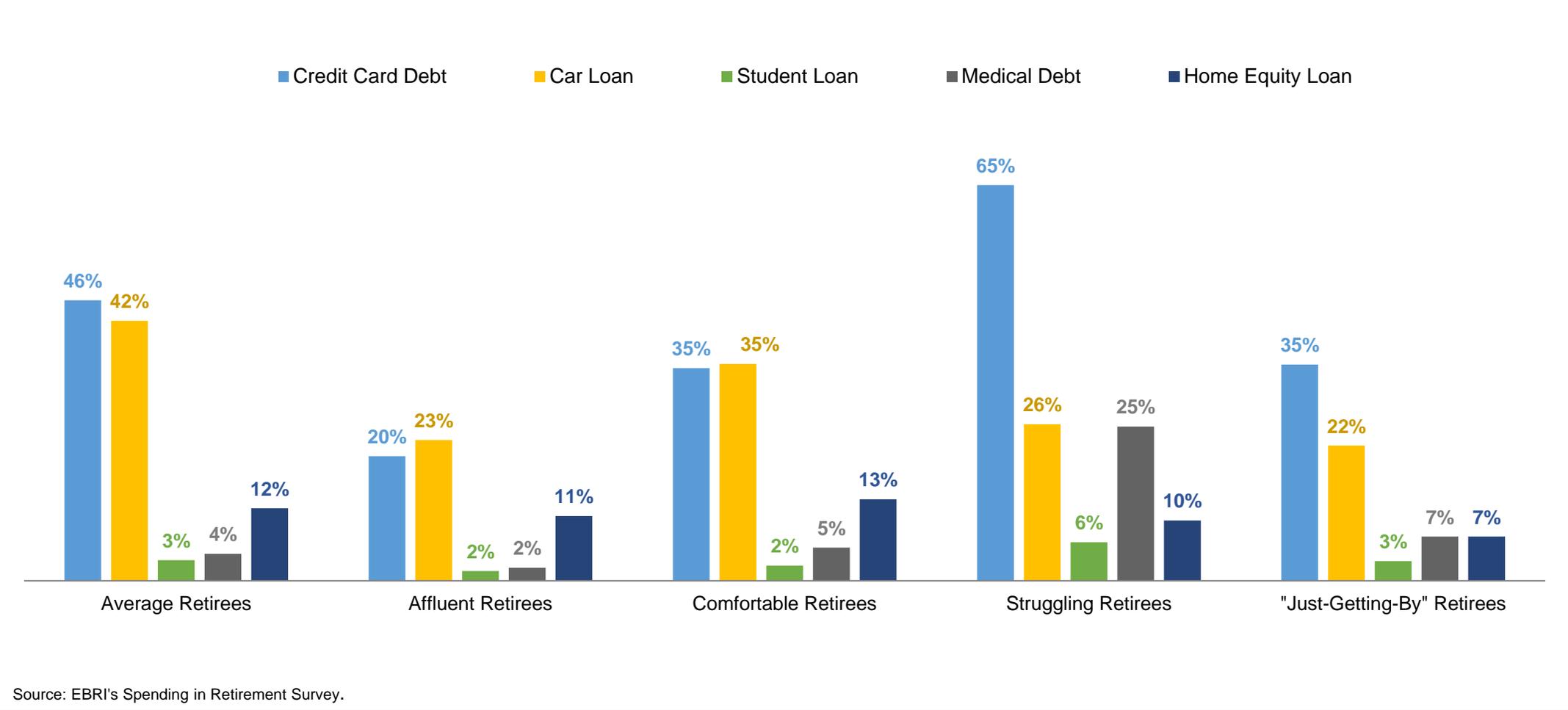
Source: EBRI's Spending in Retirement Survey.

Self-Reported Debt Status



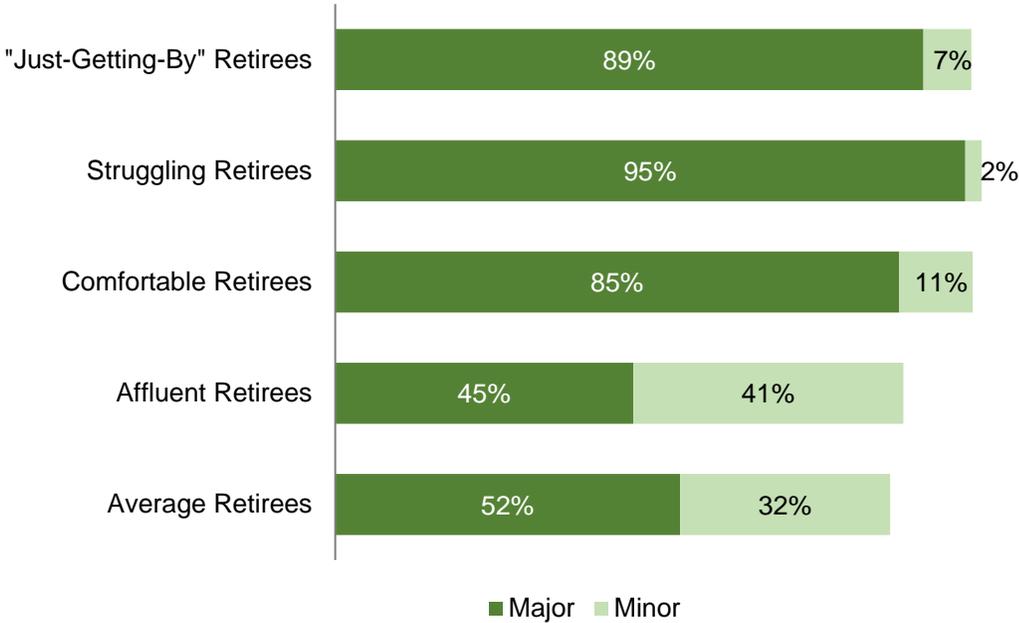
Source: EBRI's Spending in Retirement Survey.

Types of Debt held and Retirement Profiles Are Linked



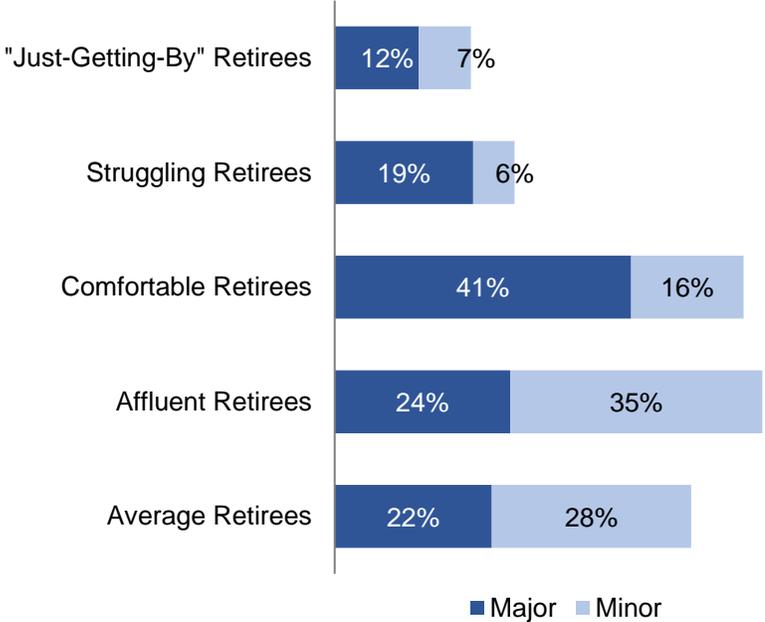
Income Sources: Some Retirees Depend Heavily on Social Security Income

Self Social Security



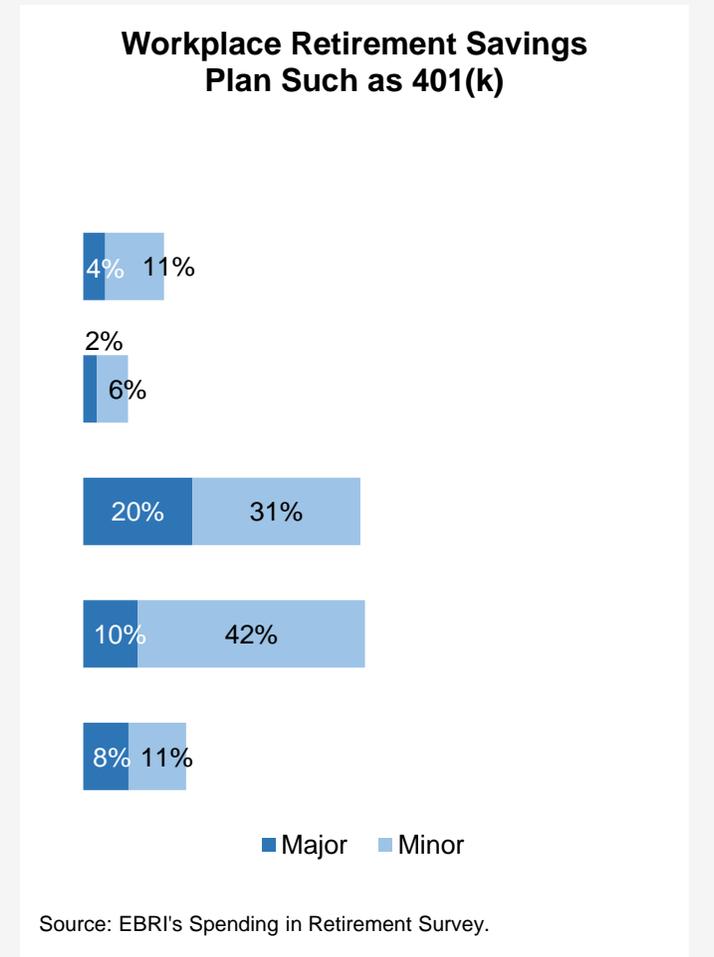
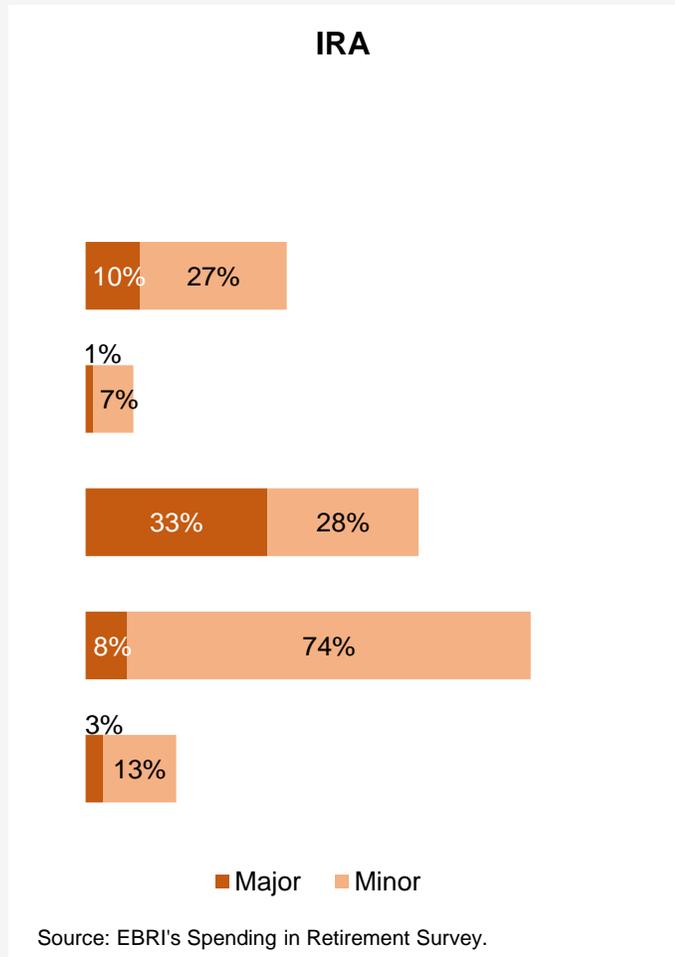
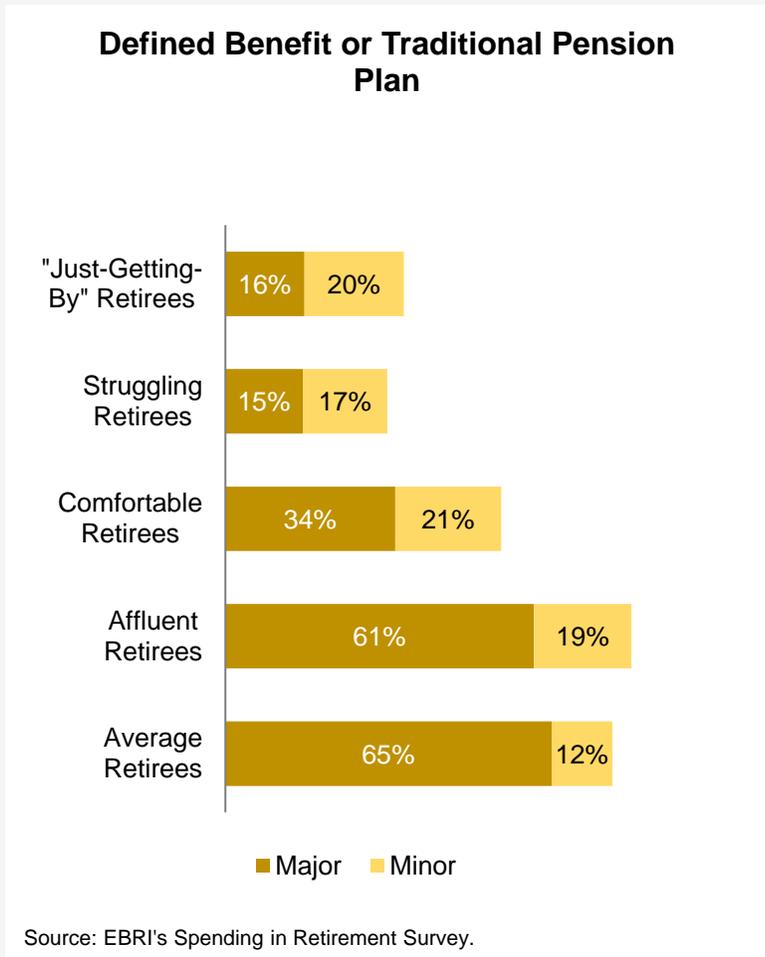
Source: EBRI's Spending in Retirement Survey.

Spouse Social Security



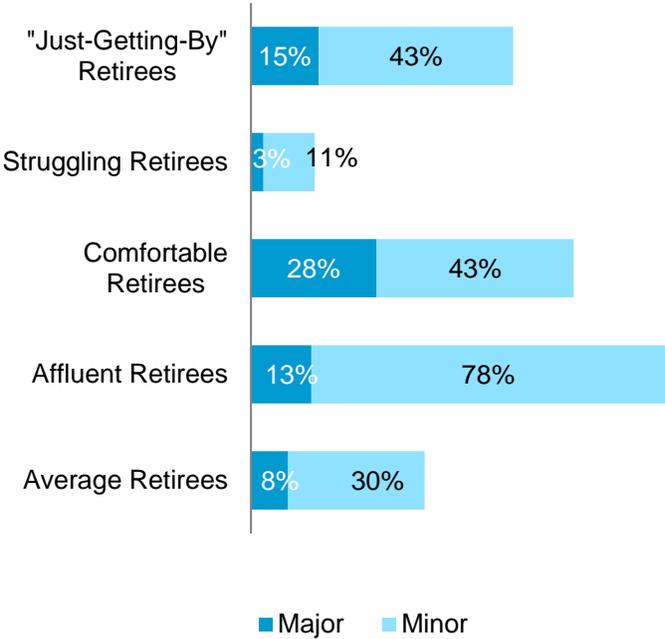
Source: EBRI's Spending in Retirement Survey.

Income Sources: Defined Benefit a Major Source for Some; IRAs Not a Major Source for Most ; Workplace Retirement Savings Plans a Source for Affluent and Comfortable Retirees



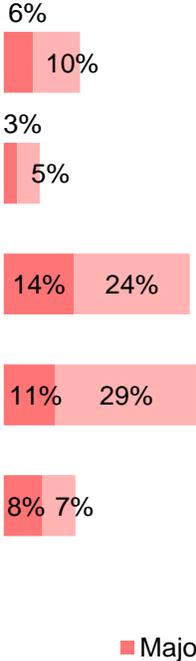
Income Source: Personal Retirement Savings and Guaranteed Monthly Annuity-Type Income a More Significant Source for Affluent and Comfortable Retirees

Personal Retirement Savings or Investments



Source: EBRI's Spending in Retirement Survey.

Guaranteed Monthly Income Such as an Annuity



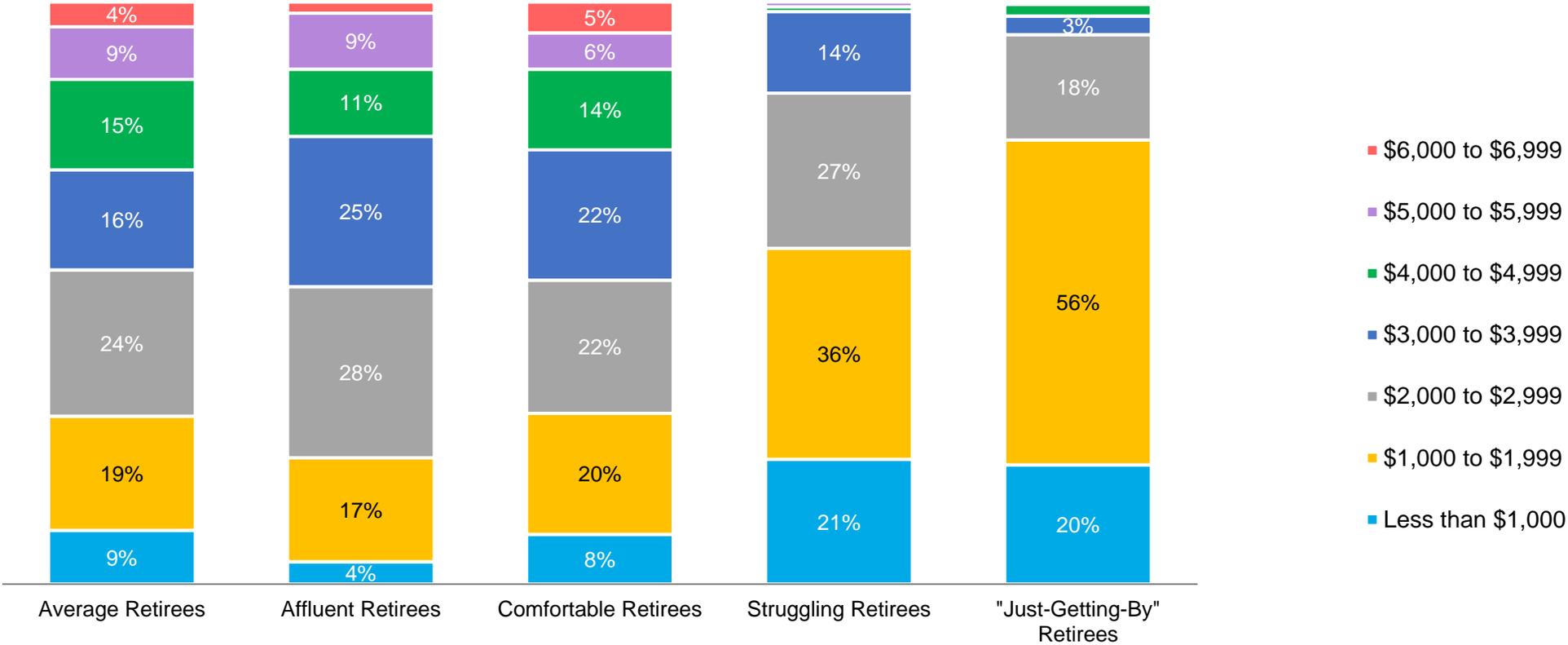
Source: EBRI's Spending in Retirement Survey.

Self or Spouse Work for Pay



Source: EBRI's Spending in Retirement Survey.

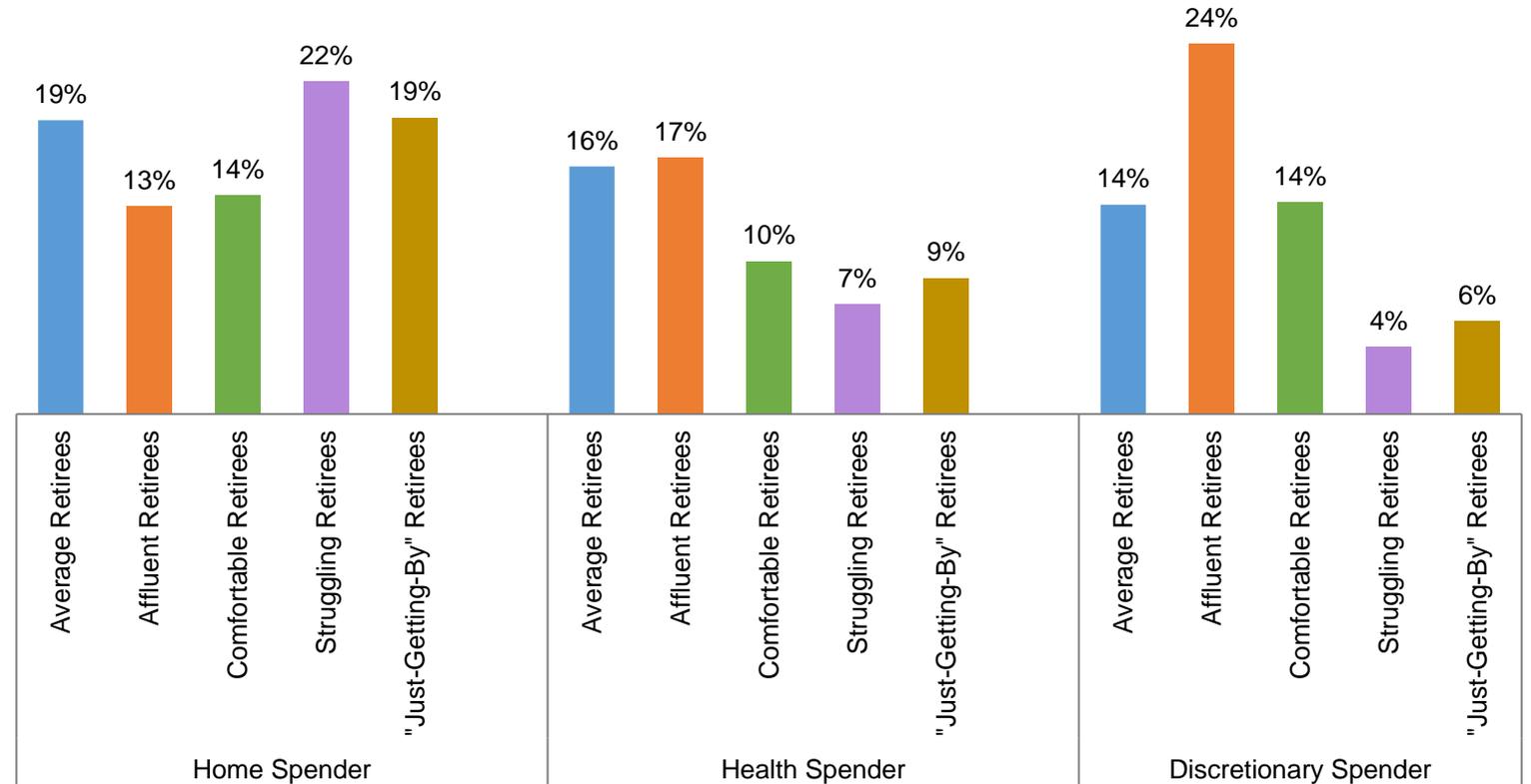
Monthly Spending Varies Among Retiree Groups



Source: EBRI's Spending in Retirement Survey.

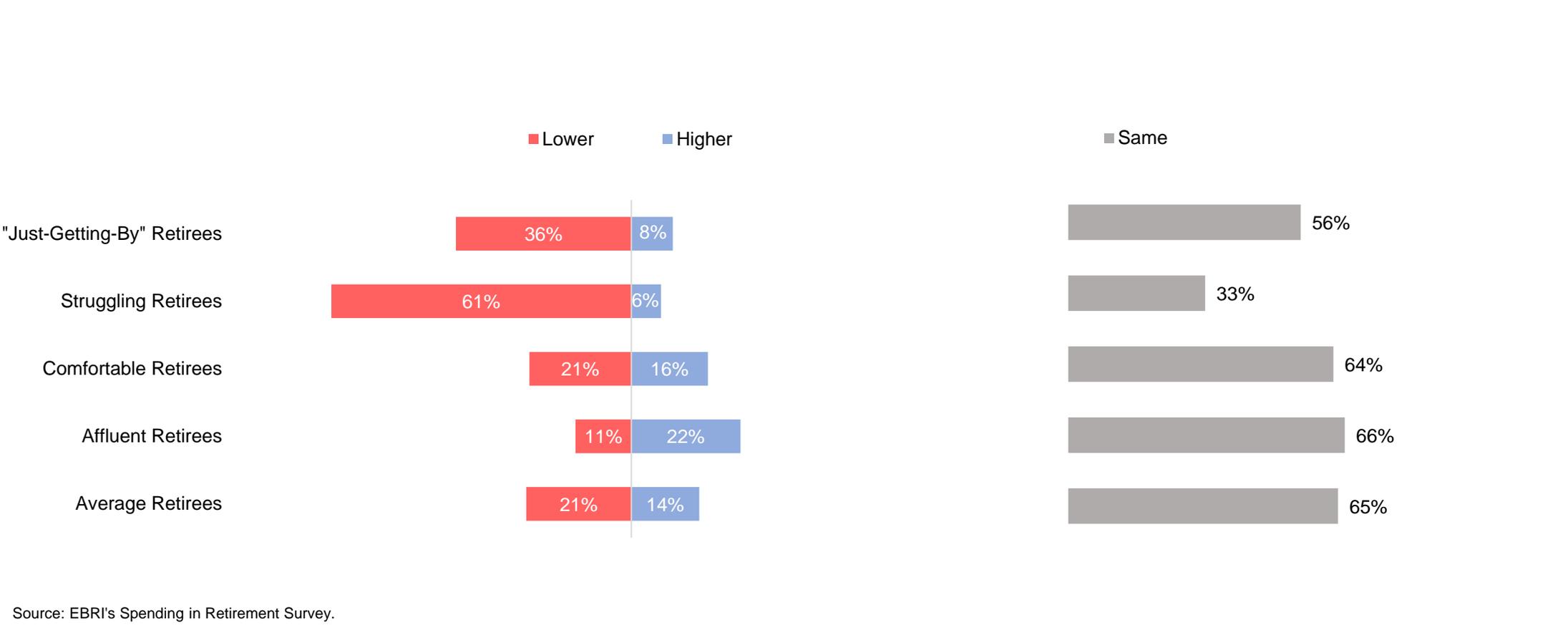
Retiree Groups Allocate Their Budget Differently

- Home Spenders spend 60% or more of their budget on housing.
- Health Spenders 20% or more on health care costs.
- Discretionary Spenders 25% or more on entertainment, gifts, and contributions.
- Read more [here](#)

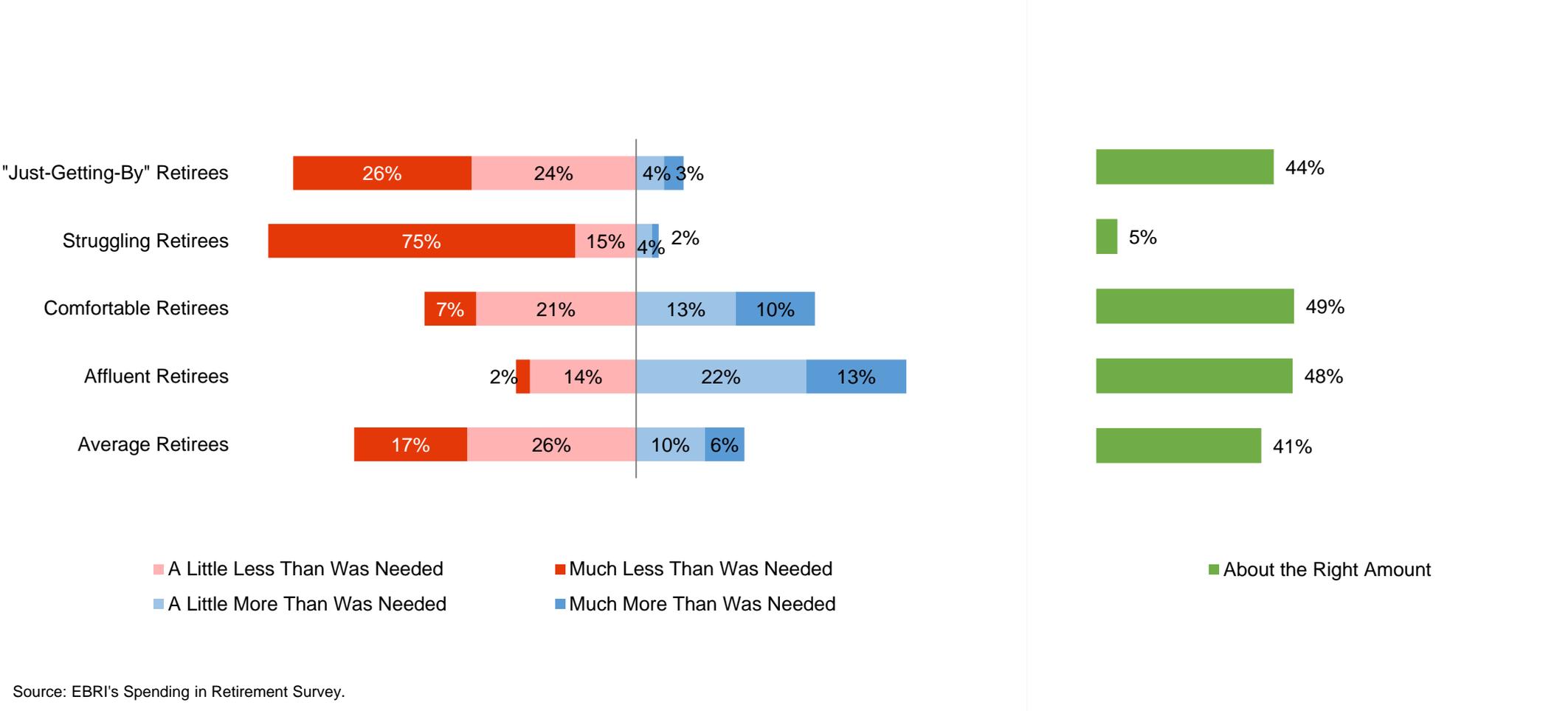


Source: EBRI's Spending in Retirement Survey.

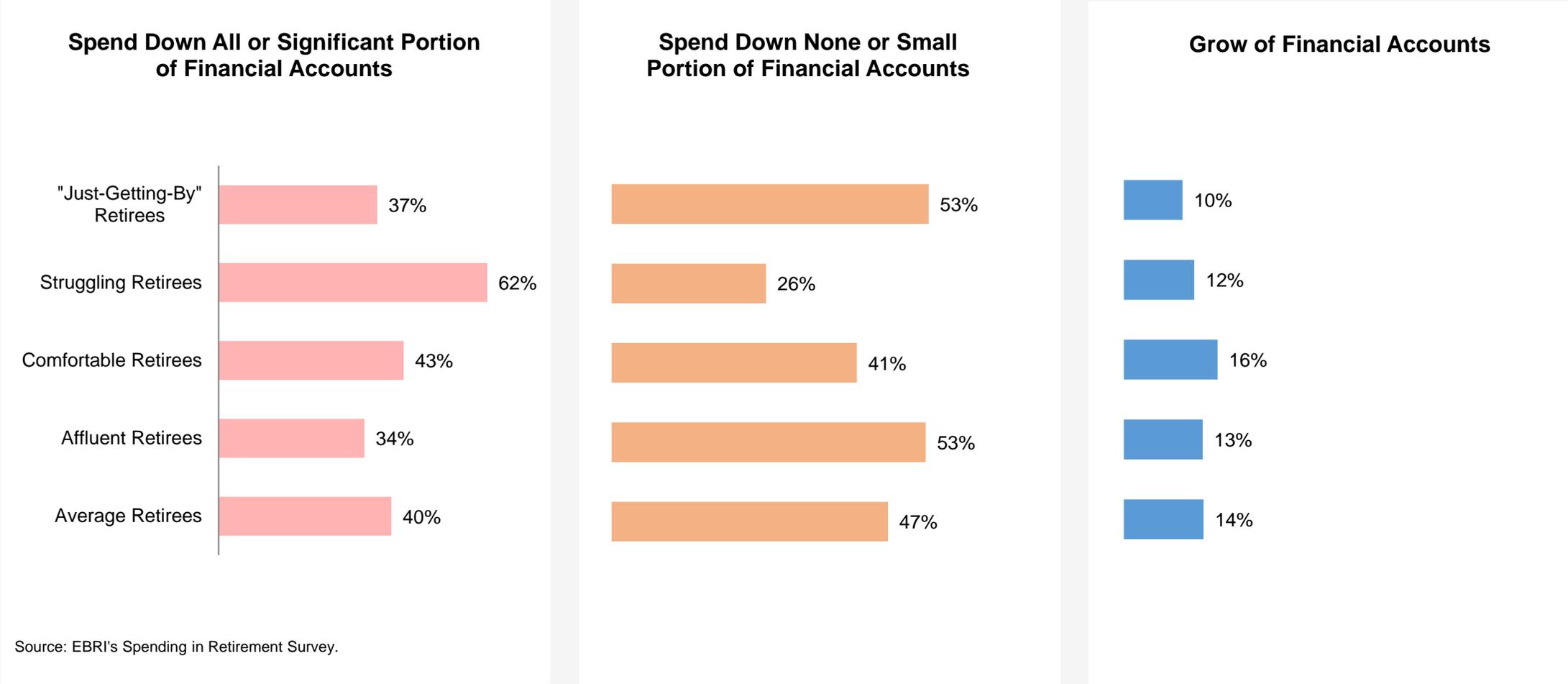
Most Retirees Rate Retirement Life As Good or Better Than Working Life



The Confidence of Retirees in Their Retirement Savings Varies by Group



Many Retirees Plan to NOT Spend Down a Significant Portion of Their Financial Assets



Key Takeaways

- Retirement is not a uniform experience.
- Based on retirees' financial status and spending behavior, this study identified five types of retirees.
- Debt status has a significant impact on retirement outcomes.
- Most retirees are reluctant to spend a significant portion of their financial assets in retirement.
- Understanding the factors that affect this reluctance to spend down can have implications for retirement planning especially as the next generation of retirees rely on defined contribution plans in place of traditional pensions.

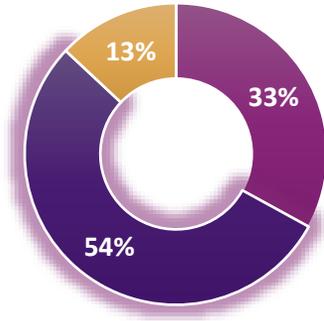
Wells Fargo Retirement Survey

Preparing for a 21st century retirement

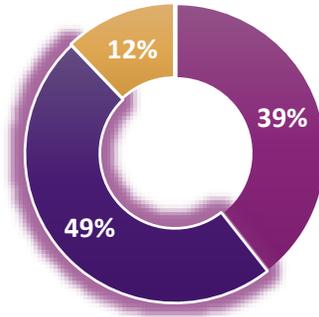
Wells Fargo Retirement Survey

Many workers have not thought about their actual monetary needs in retirement¹

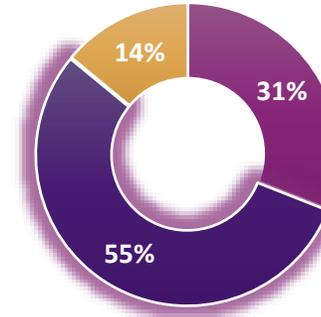
Have you thought about how much money to withdraw from your retirement savings and investments in retirement?



Have you estimated how much income you (and your spouse) would need each month in retirement?



Have you planned for how you would cover an emergency or big expense in retirement?



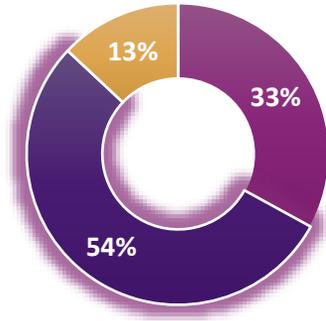
■ No ■ Yes ■ Don't know

Sources: 1. Wells Fargo Retirement Study, 2019

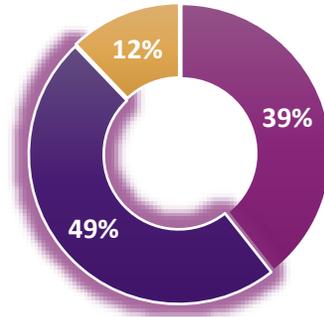
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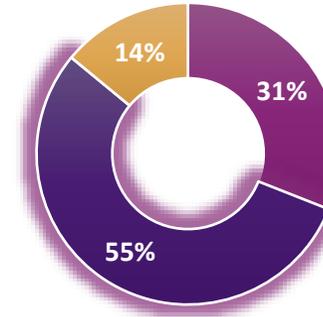
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Have you estimated how much income you (and your spouse) would need each month in retirement?



Have you planned for how you would cover an emergency or big expense in retirement?



No Yes Don't know

Workers are not alone in this struggle:

Retirees who aren't sure or can't estimate how much they have already saved²:



Sources: 1. Wells Fargo Retirement Study, 2019 2. Wells Fargo Retirement Study, 2020

Wells Fargo Retirement Survey

Top three most important items when planning for retirement:

Workers	1. Making savings last through retirement	45%
	2. Healthcare expenses	43%
	3. Estimating my monthly expenses	36%

Source: Wells Fargo Retirement Study, 2020

Wells Fargo Retirement Survey

Top three most important items when planning for retirement:

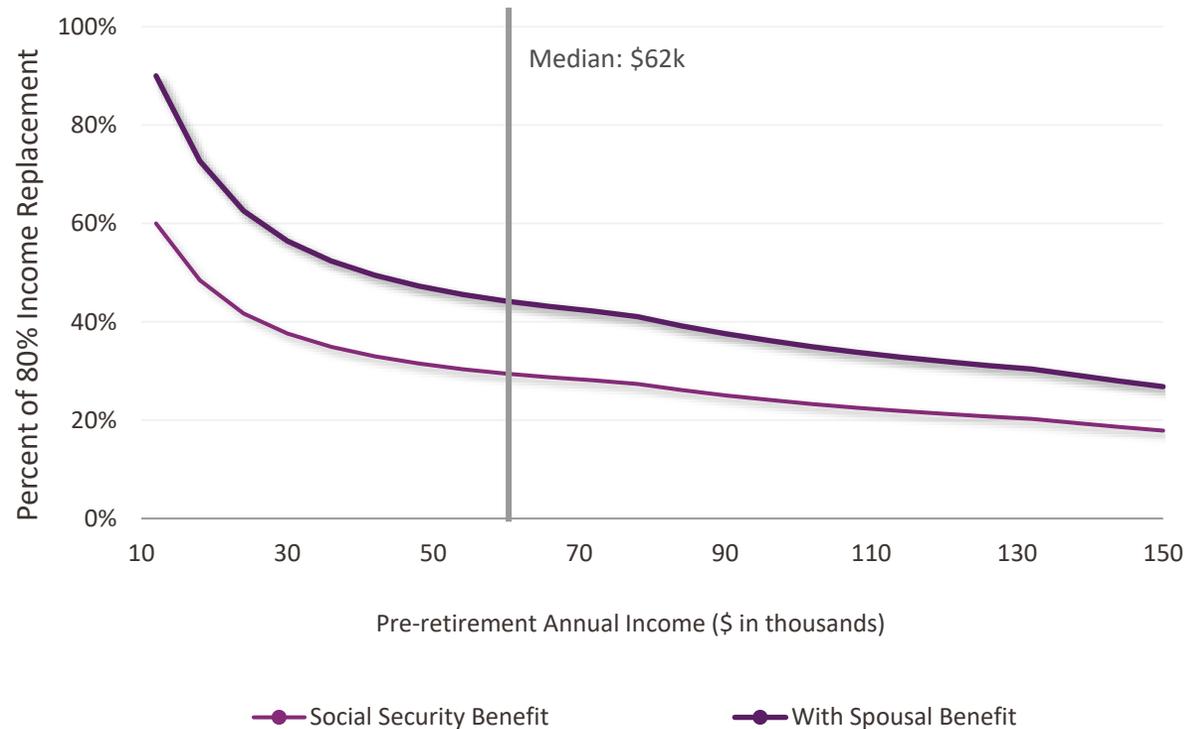
Workers	1. Making savings last through retirement	45%	Retirees	1. Making the most out of social security	42%
	2. Healthcare expenses	43%		2. Healthcare expenses	36%
	3. Estimating my monthly expenses	36%		3. Estimating my monthly expenses	32%

Source: Wells Fargo Retirement Study, 2020

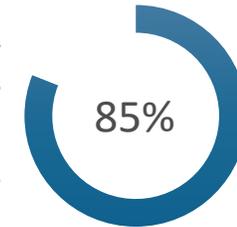
Wells Fargo Retirement Survey

Social Security replaces ~40%, of recipients' preretirement income¹ – but this varies widely. Target date funds often assume a fixed income replacement rate from social security for all participants

Percent of income replacement from Social Security²



Retirees who say COVID-19 has reinforced the importance of Social Security³



Retirees who say they would have "no idea" what to do without Social Security³



Sources: 1. U.S. Social Security Administration; ssa.gov. 2. Wells Fargo Asset Management (WFAM) and the U.S. Census Bureau. 2018 Median Household income in the United States. 3. Wells Fargo Retirement Study, 2020

About the surveys

2019 Survey: On behalf of Wells Fargo, The Harris Poll conducted 3,918 online interviews of 2,708 working Americans age 18–75 and 1,004 retired Americans, surveying attitudes and behaviors around planning, saving, and investing for retirement. The survey was conducted

June 21–July 17, 2019. Working Americans are age 18–75 and working full time (or at least 20 hours if they are working part time) or are self-employed. Retired Americans self-identified as retired regardless of age. Both working and retired Americans are the primary or joint financial decision-maker for their household. High-net-worth workers have at least \$1 million in household investable assets. Data were weighted as needed to represent the population of those meeting the qualification criteria. Figures for education, age, gender, race, ethnicity, region, household income, investable assets, marital status, employment, number of adults in the household, and propensity to be online were weighted where necessary to bring them in line with their actual proportions in the population.

2020 Survey: On behalf of Wells Fargo Wealth and Investment Management, The Harris Poll conducted 4,590 online interviews including 2,660 working Americans age 18-76 whose employment was not impacted by COVID-19, 725 Americans age 18-76 whose employment was impacted by COVID-19, 200 high net worth American workers age 18-76, and 1,005 retired Americans, surveying attitudes and behaviors around planning their finances, saving, and investing for retirement. The survey was conducted from August 4 – August 24, 2020. Working Americans are 18-76 and working full time (or at least 20 hours if they are working part time) or are self-employed and whose employment has not been impacted by COVID-19. Americans whose employment was impacted by COVID-19 are age 18-76 and selected that they personally experience at least one of the following due to the coronavirus pandemic: laid off from a job, furloughed from a job, started working a reduced or staggered schedule, been given a zero-hour schedule, or taken a paycut. High net worth workers are age 18-76 and have at least \$1 million in household investable assets. Retired Americans self-identified as retired regardless of age. All respondents are the primary or joint financial decision-maker for their household. Data are weighted where necessary by age by gender, race/ethnicity, region, education, income, marital status, employment, household size, and propensity to be online to bring them into line with their actual proportions in the population.

The “COVID Impacted” are those whose employment status was impacted in some specific way due to the pandemic, such as being laid off/furloughed from a job, working a reduced or staggered schedule, given a zero-hour schedule, or taken a pay cut. It does not mean they are currently unemployed.

All investing involves risk, including the possible loss of principal. There can be no assurance that any investment strategy will be successful. Investments fluctuate with changes in market and economic conditions and in different environments due to numerous factors, some of which may be unpredictable. Each asset class has its own risk and return characteristics.

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Q&A



Upcoming Events

Wednesday, June 9 — Saving for Health Care in Retirement: How HSAs and 401(k)s Fit Together

Wednesday, June 23 — 2021 RCS: A Closer Look at Black and Hispanic Americans webinar

Join the Retirement Security Research Center

The RSRC is EBRI's think tank dedicated to understanding retirement savings and spending patterns using empirical and survey data, as well as simulations. This provides a framework for solutions and informs policy discussions that can best help improve outcomes.

Join today to participate in the RSRC's Member Publication on the Plan Sponsor, Provider, and Policymaker Implications of this analysis!

Contact Jaffe@ebri.org for more information.



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