



Unraveling the Retirement Nest-Egg Calculus: Why Do People Spend the Way They Do in Retirement?

EBRI Webinar

March 24, 2021

Acknowledgment

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Speakers



**Lori Lucas,
President & CEO,
EBRI**



**Carlo Cordasco, National
Field Director, Insights &
Solutions Field Team,
Nationwide**



**Dagmar Nikles,
Head of DC Plan
Strategy & Tools,
BlackRock**



**Moderator: Neil Lloyd,
Western Canada Wealth
Leader, Mercer**

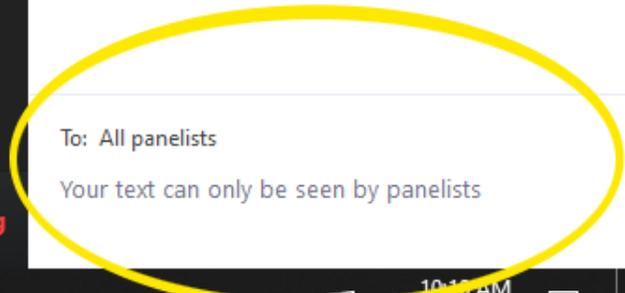
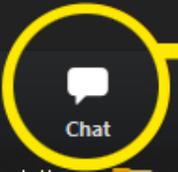
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Zoom Webinar Chat

John Doe

Click this button

Type question(s) here



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New Feature: 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.

Agenda

- Sources of income & standard of living
- Spending goals
- Retirement satisfaction
- Retirement types
- Q&A
- After session: Q&A wrap up, reaction to investment losses, working in retirement spending plans

Why Do People Spend the Way They Do in Retirement? Findings From EBRI's Spending in Retirement Survey

About the Survey

- Conducted in September 2020
- An online survey querying 2,000 individuals ages 62 to 75 about their spending habits and their situation at and during retirement.
- 97% reported being retired
- 45% male, 55% female
- Mean number of years retired: 8.7
- 69% have never worked while being retired; 29% worked in the past, but not now



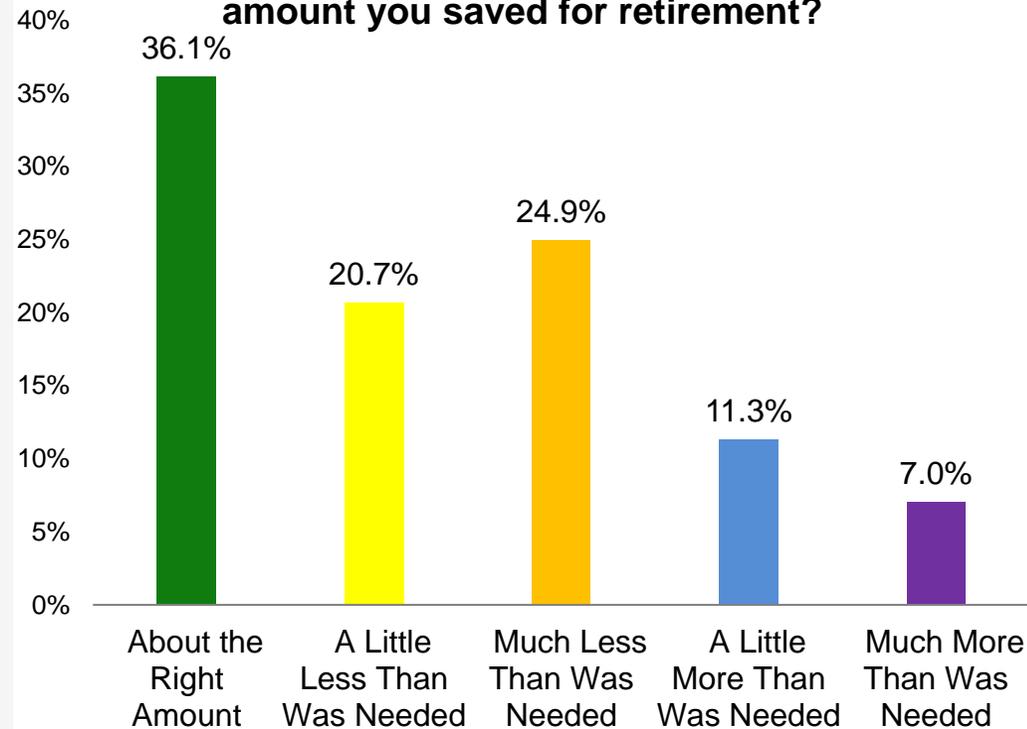
POLLING QUESTION

PLEASE SHARE YOUR THOUGHTS

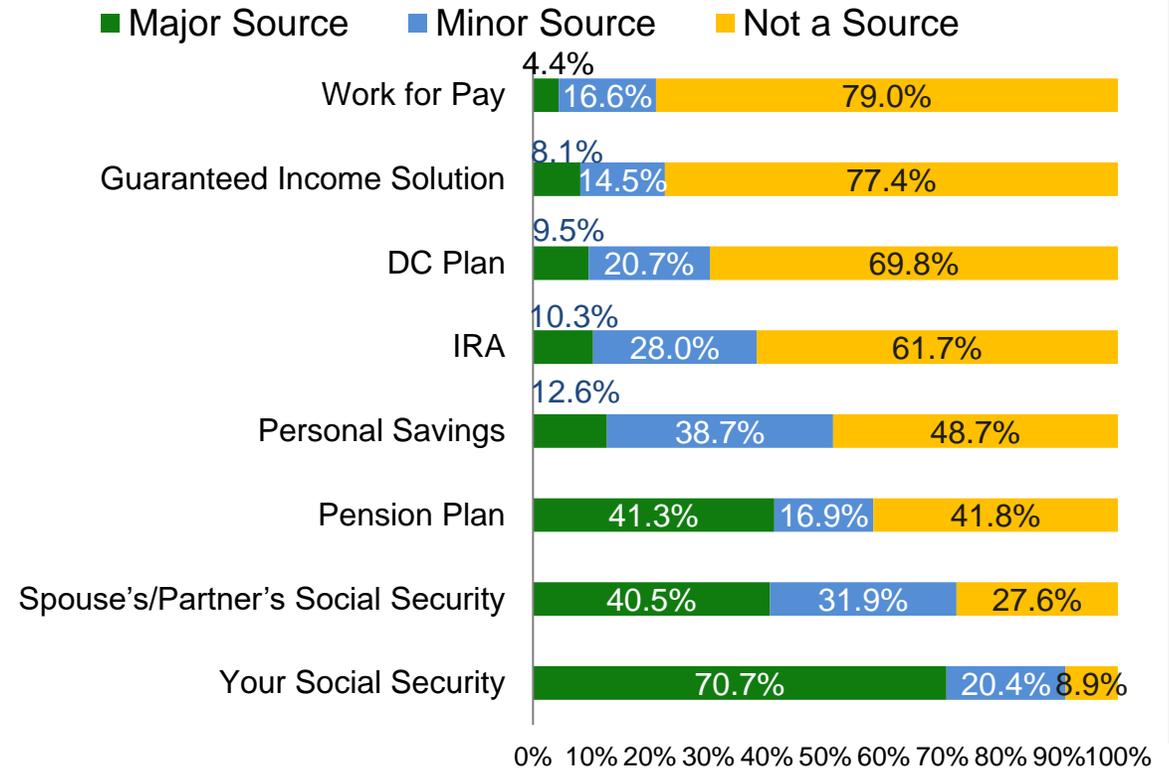
SOURCES OF INCOME & STANDARD OF LIVING

Sources of Income and Savings

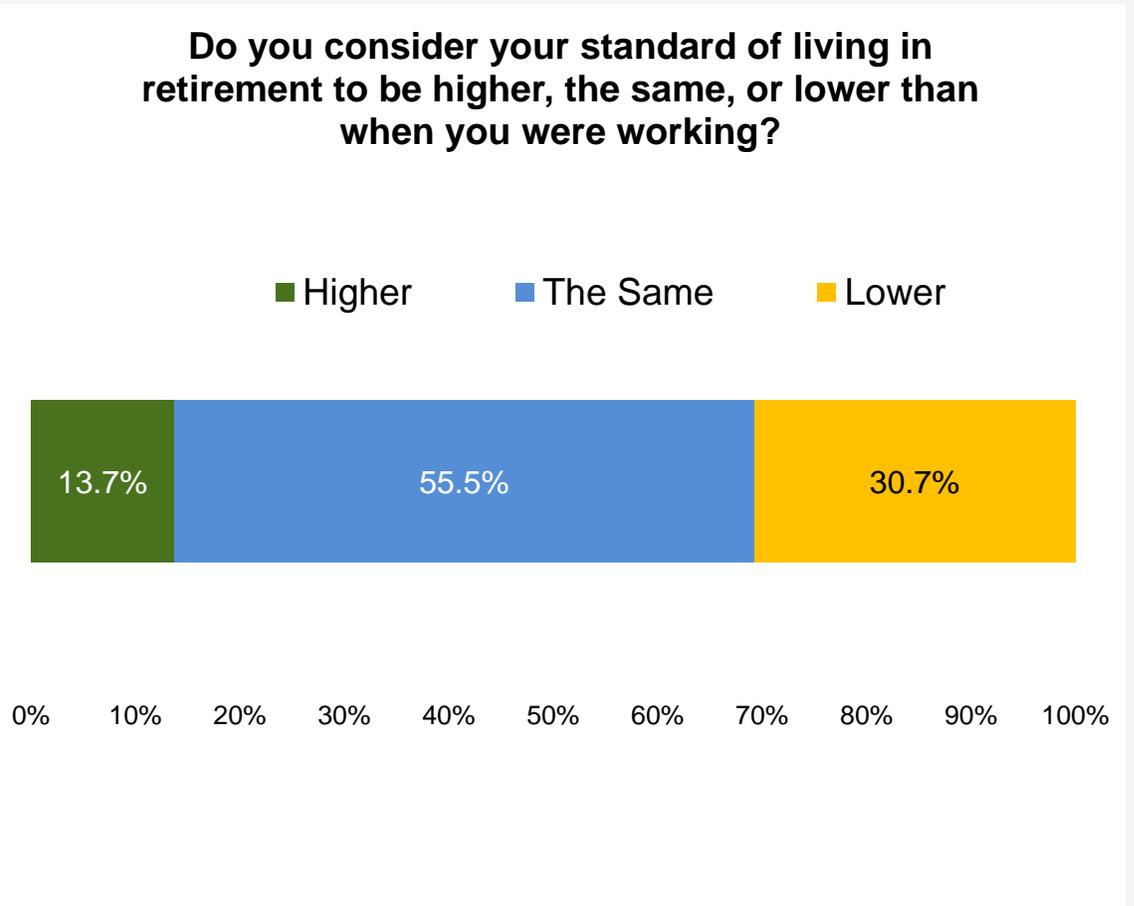
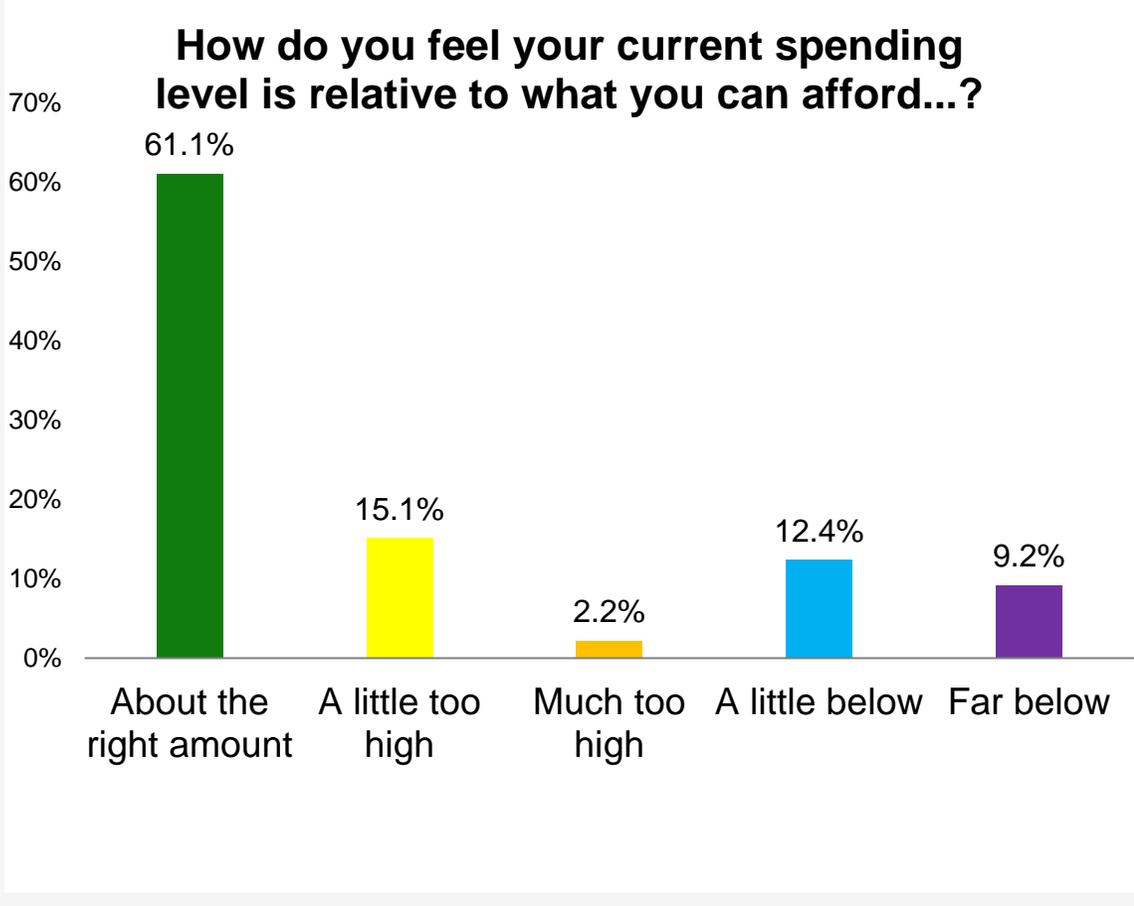
Given your economic circumstances while you were working, which best describes the amount you saved for retirement?



Sources of Income in Retirement



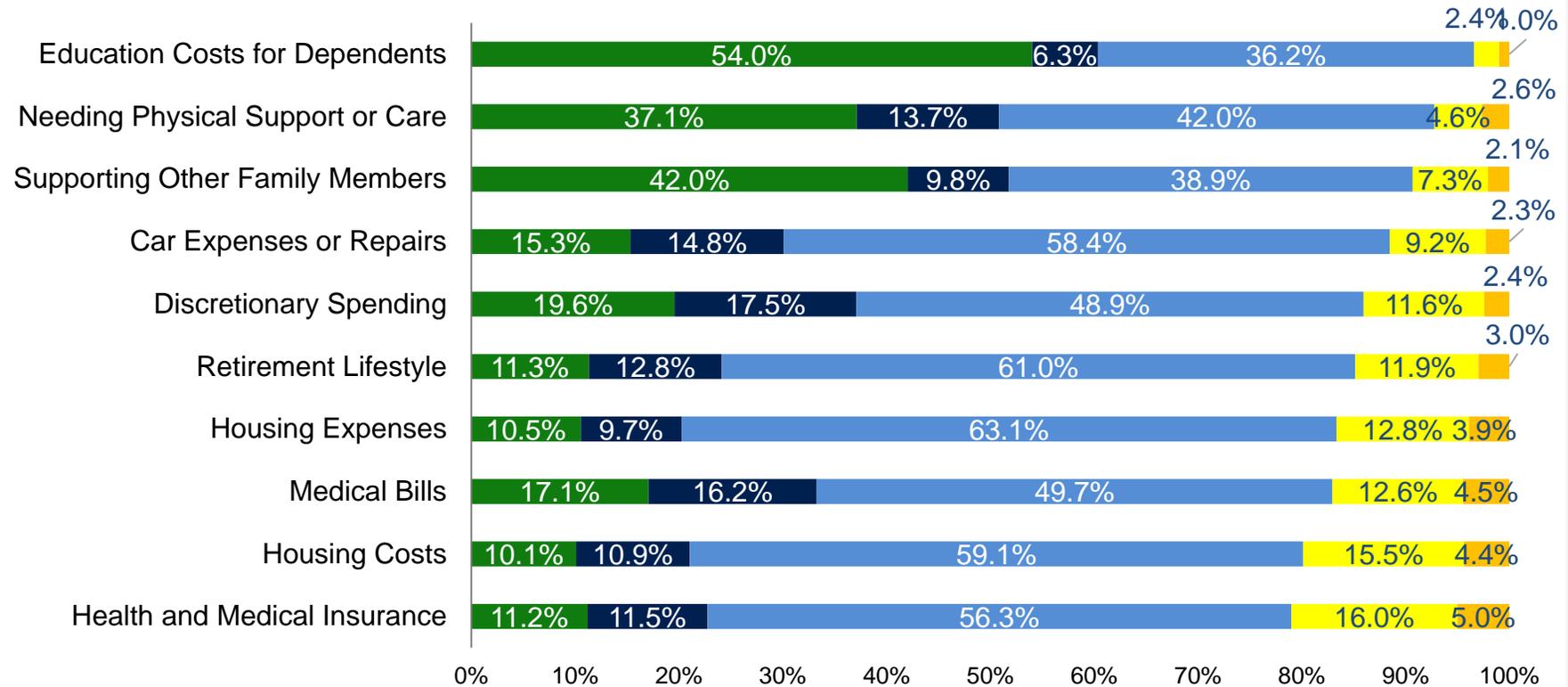
Spending and Standard of Living



Retirement Costs

Now that you're retired, how would you describe the amount you spend in the following categories relative to what you expected?

■ Much Less ■ Somewhat Less ■ About in Line ■ Somewhat More ■ Much More





POLLING QUESTION

PLEASE SHARE YOUR THOUGHTS

SPENDING GOALS

What Spending Patterns Actually Look Like: Quantitative Evidence

Observed changes in non-housing assets post-retirement for three different asset groups based on HRS Data.*

**Low Asset Group:
\$200,000 or less**

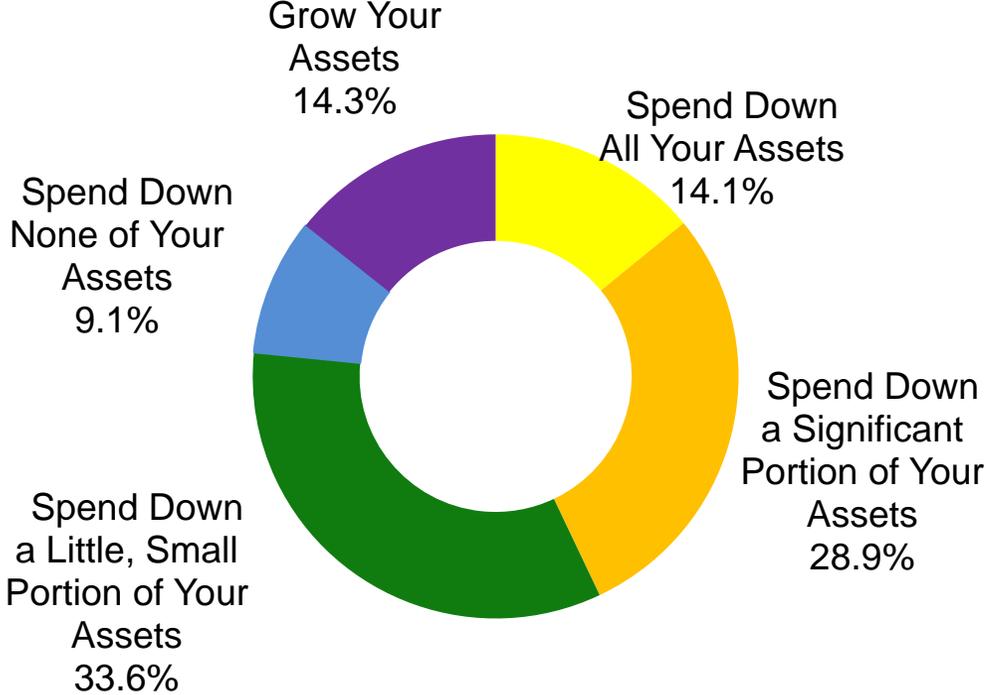
**Middle Asset Group:
\$200,000 - \$500,000**

**High Asset Group:
>\$500,000**

*Source: EBRI 2018 Issue Brief: Asset Decumulation or Asset Preservation? What Drives Retirement Spending. Based on Health and Retirement Survey data. *Based on non-housing assets observed right before retirement.*

Spending Goals

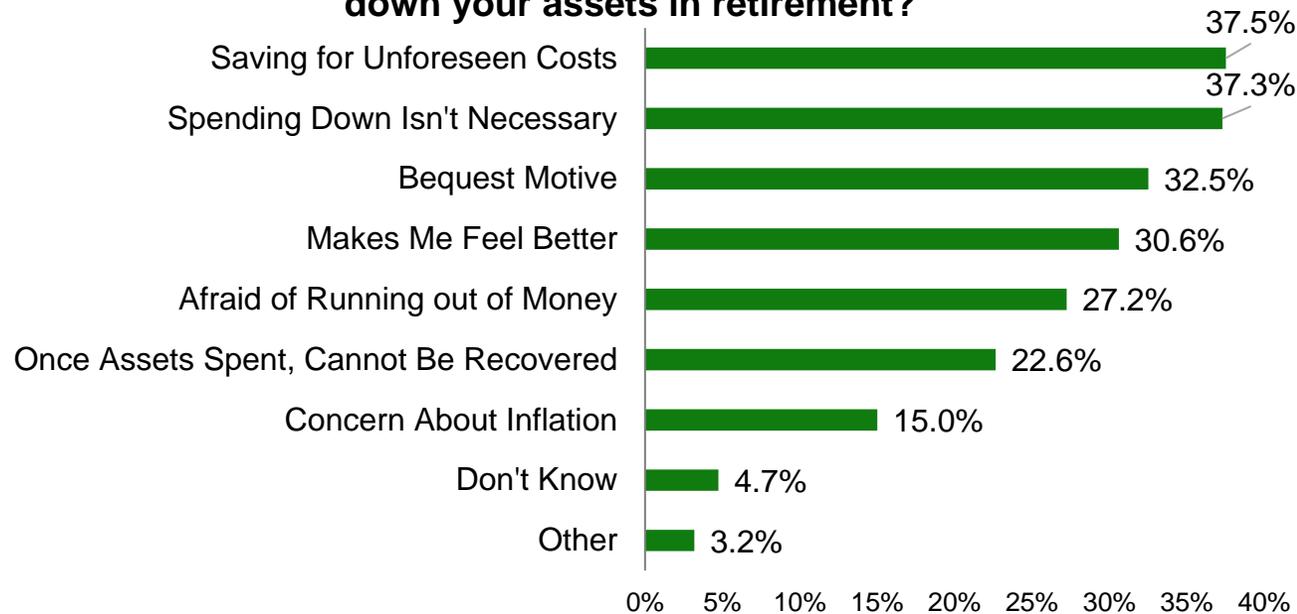
Thinking about all the money you have in financial accounts over the course of your retirement, do you plan to...?



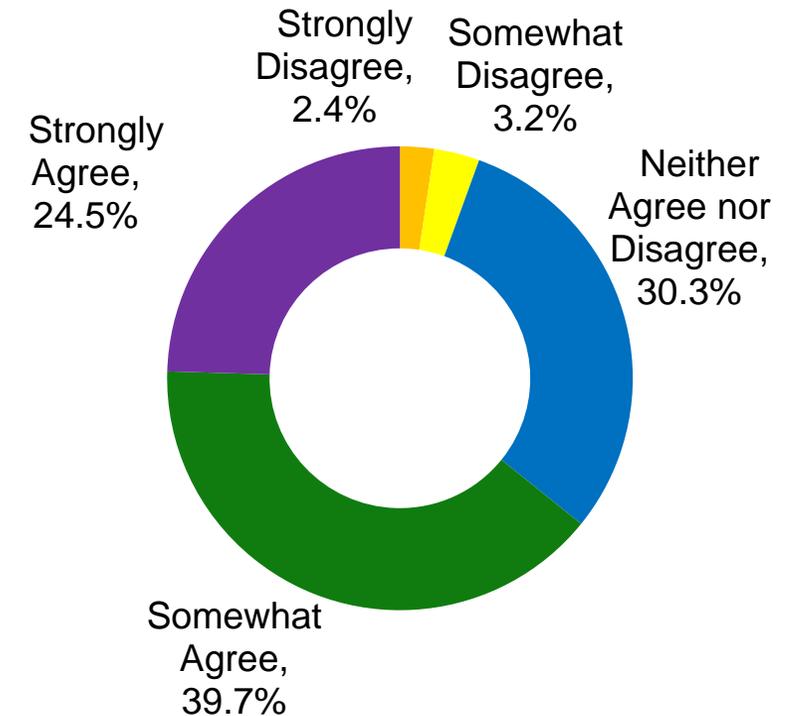
Source: The Employee Benefit Research Institute's Spending in Retirement Survey.

Reasons to Preserve Assets in Retirement

Which of the following are reasons you plan to not spend down your assets in retirement?

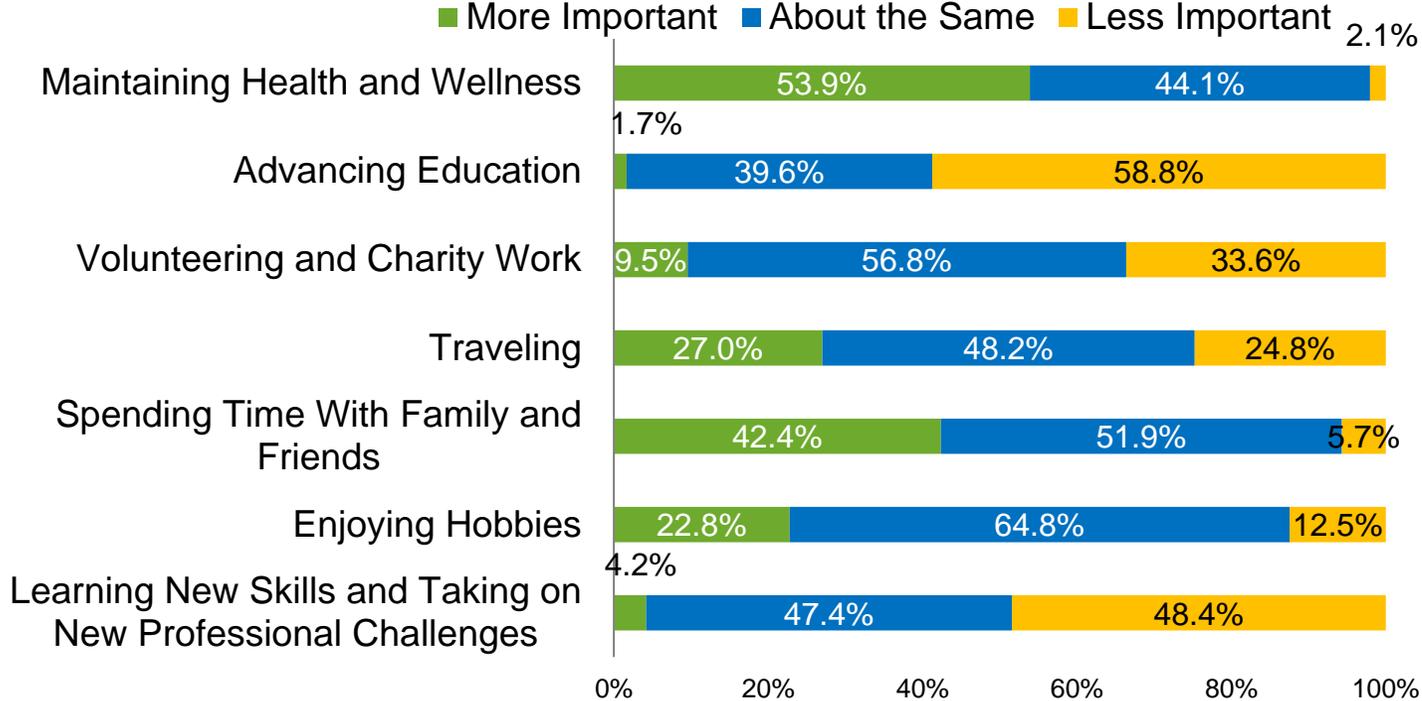


Saving as much as I can makes me feel happy and fulfilled.



Changing Retirement Priorities

Compared to when you first retired, are the following goals more or less important to you now or are they the same?

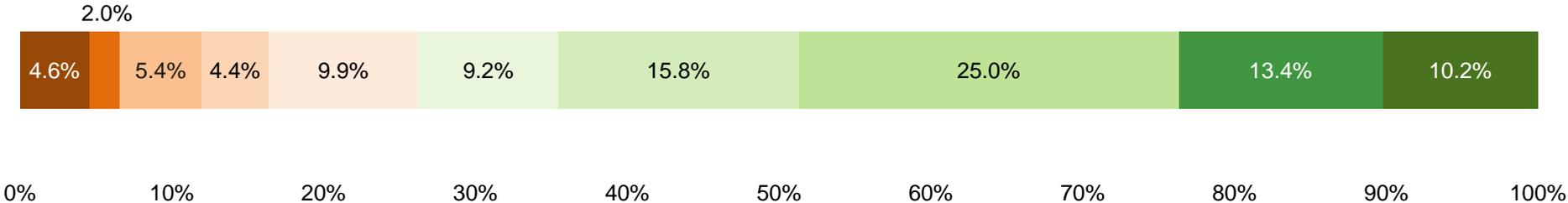


RETIREMENT SATISFACTION

Retirement Expectations and Satisfaction

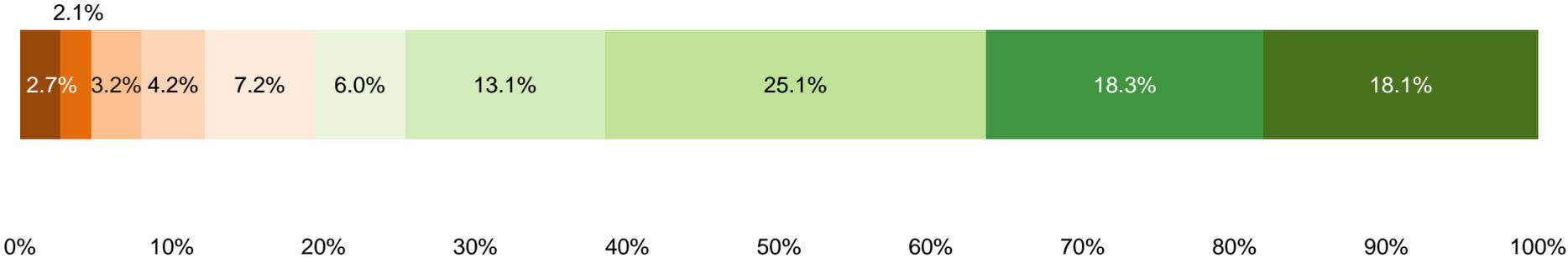
How aligned is your current life in retirement with how you expected/planned for your life in retirement to be?

1 — Not at All Aligned 2 3 4 5 6 7 8 9 10 — Very Aligned



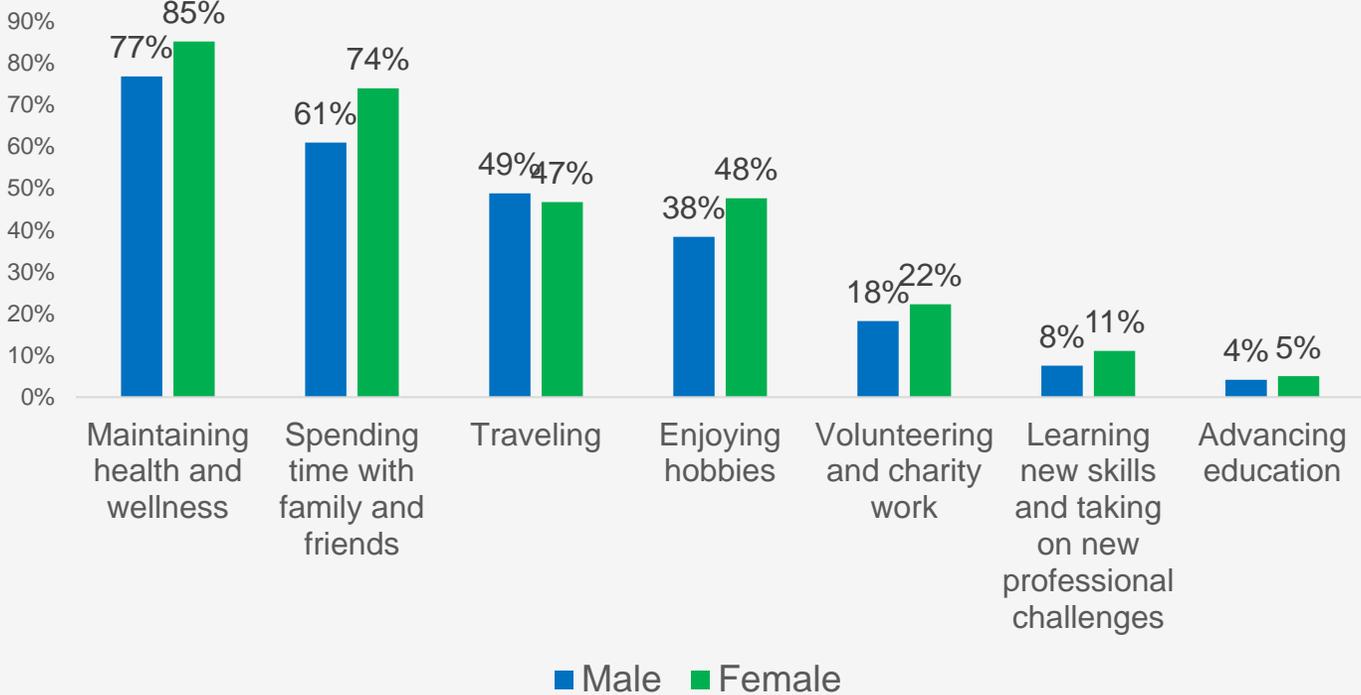
How satisfied are you with your life in retirement?

1 — Very Dissatisfied 2 3 4 5 6 7 8 9 10 — Very Satisfied



Male v Female Retirement Expectations

At the time of your retirement, how important were the following?



Retirement does not align with expectations:

27% of men

42% of women

SPENDING TYPES

Three Retiree Groups That Stand Out

Highly Indebted Retirees: 10.3%

72% Female
(vs. 55% of typical retirees)

35% Divorced
(vs. 20% of typical retirees)

85% saved less than needed for retirement
(vs. 46% of typical retirees)

63% Less than \$50,000 in financial assets
(vs. 27% of typical retirees)

50% Income less than \$30,000
(vs. 38% of typical retirees)

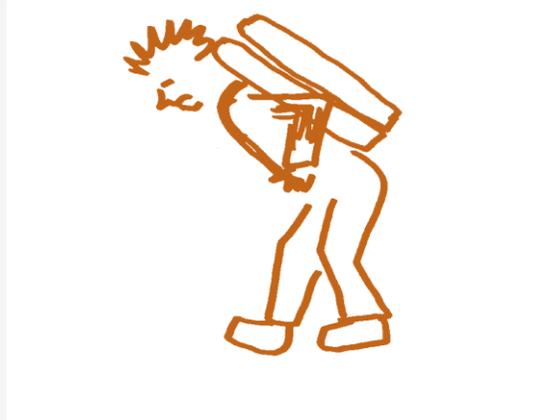
90% have credit card debt
(vs. 30% of typical retirees)

40% Worked during retirement
(vs. 31% of typical retirees)

70% Say current spending higher than they can afford
(vs. 17% of typical retirees)

83% are spending down retirement assets to pay health care expenses
(vs. 69% of typical retirees)

72% Say standard of living is lower in retirement
(vs. 31% of typical retirees)



Three Retiree Groups That Stand Out



Long-Term Secure Retirees: 18.6%

\$150k in Median household assets
(vs. \$75k of typical retirees)

**34% reporting income higher than
\$100,000**
(vs. 22% of typical retirees)

70% Have a pension
(vs. 58% of typical retirees)

**30% Have a guaranteed income
product**
(vs. 23% of typical retirees)

**23% Saved more for retirement
than needed**
(vs. 18% of typical retirees)

**30% Not seeking to spend down
assets**
(vs. 23% of typical retirees)

25% Don't stick to spending plan
(vs. 19% of typical retirees)

14% Have retiree healthcare
(vs. 9% of typical retirees)

Three Retiree Groups That Stand Out



Full Nester Retirees: 12.3%

\$45k in Median household assets
(vs. \$75k of typical retirees)

15% Are Black
(vs. 10% of typical retirees)

14% Are Asian/Pacific Islander
(vs. 5% of typical retirees)

31% Seek to preserve or grow assets
(vs. 23% of typical retirees)

21% Say costs of supporting family greater than expected
(vs. 9% of typical retirees)

11% Say family education costs greater than expected
(vs. 3% of typical retirees)

77% Believed spending time with family and friends important at retirement
(vs. 68% of typical retirees)

98% Identify time with family and friends has increased in importance

Conclusions



While it is difficult to plan for every contingency during retirement, the findings from the *Spending in Retirement Survey* make it clear that certain variables result in vastly different retirement outcomes. For example:

- High debt is associated with considerable retirement insecurity across almost every measure.
- Those with children living at home during retirement have lower assets than average and spend more money than anticipated when it comes to their family members, but their focus on prioritizing family and friends has only increased as retirement has progressed.
- Those with long-term care insurance demonstrate a higher level of retirement security across many measures.
- Understanding such differences in retirement outcomes are essential when it comes to enhancing policies, products, and services geared to improve Americans' financial lives in retirement.

Q&A



Upcoming Events

Wednesday, April 7 — [The Three Certainties of Life: Death, Taxes, and Updates From EBRI's HSA Database](#)

Wednesday, April 21 — [Location, Location, Location: The Impact of Site of Treatment on Health Care Costs](#)

Save the Dates:

American Savings Education Council Partners' Meeting

Savings Considerations for Minorities in America

April 29

Spring Virtual Policy Forum May 10, 11, and 13

It's Time for the After Show!



AFTER SESSION



POLLING QUESTION

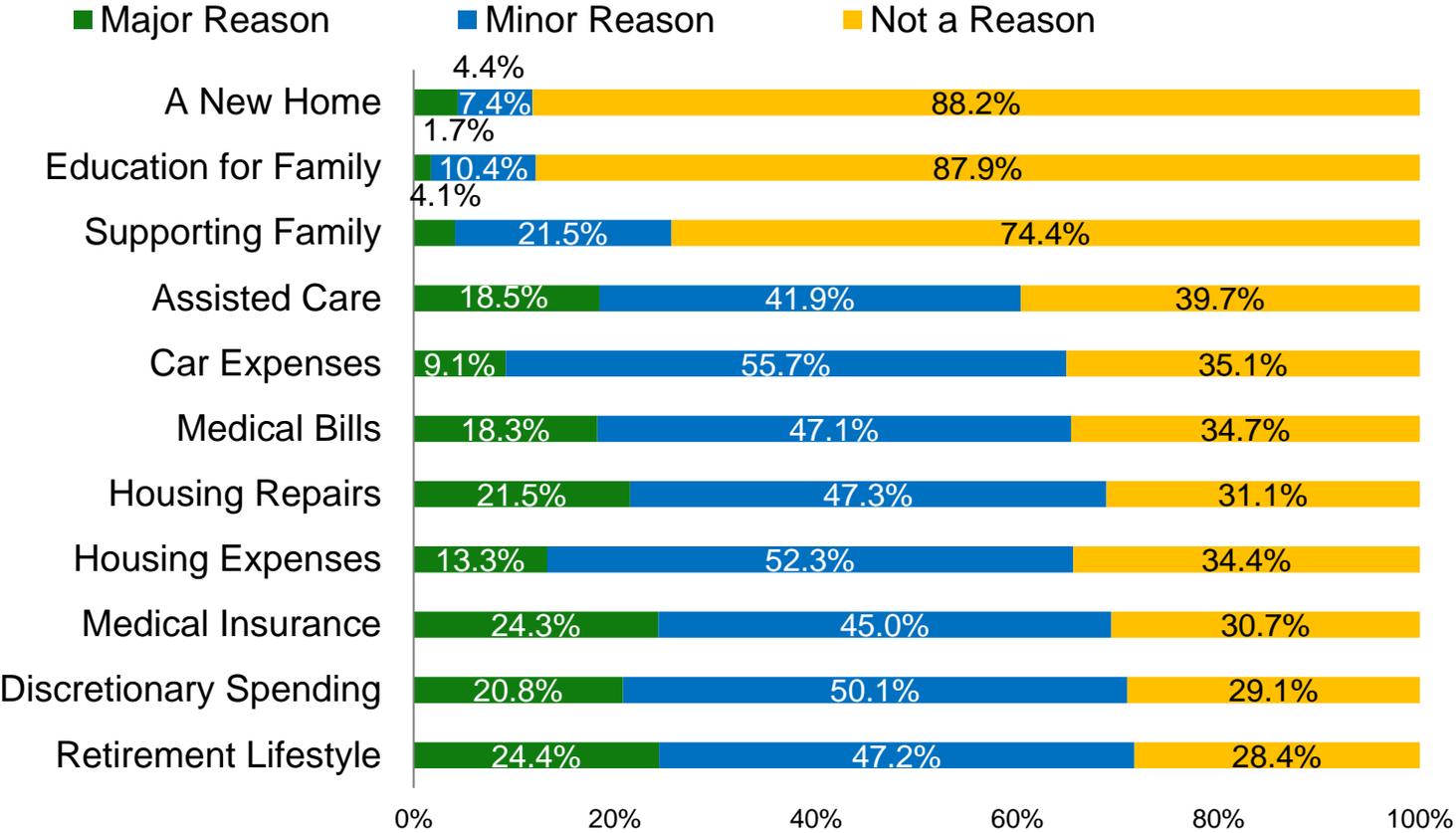
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Q&A



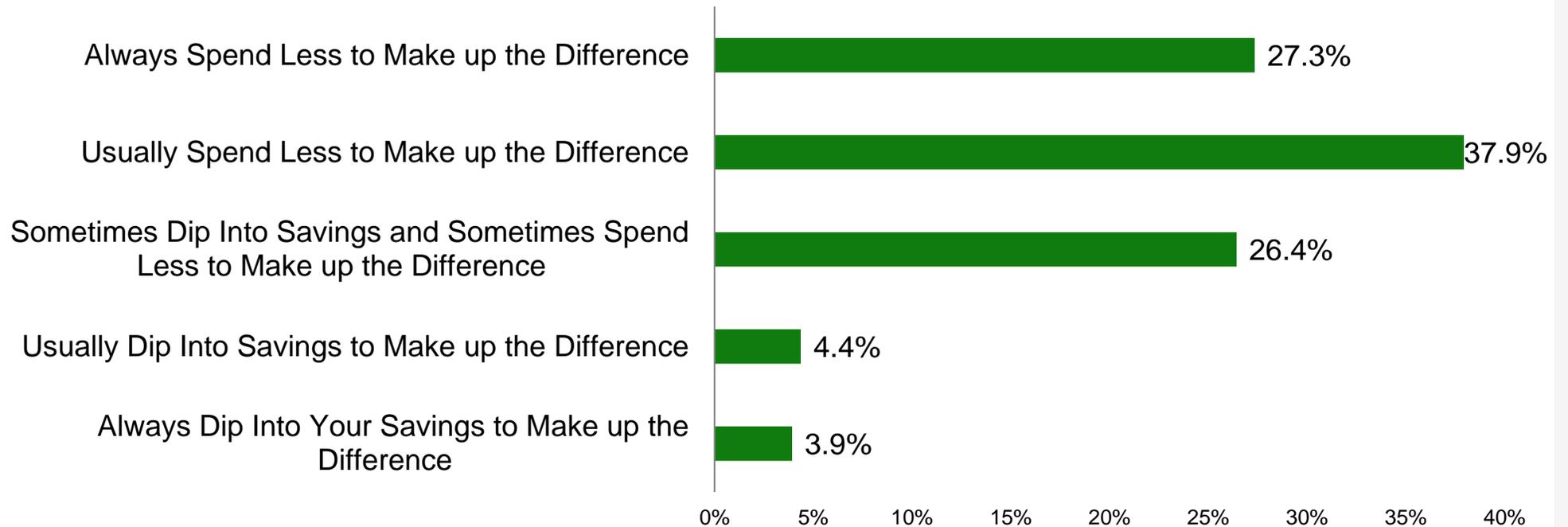
Spend Down Goals

To what extent are the following reasons you have or plan to spend down your assets in retirement?



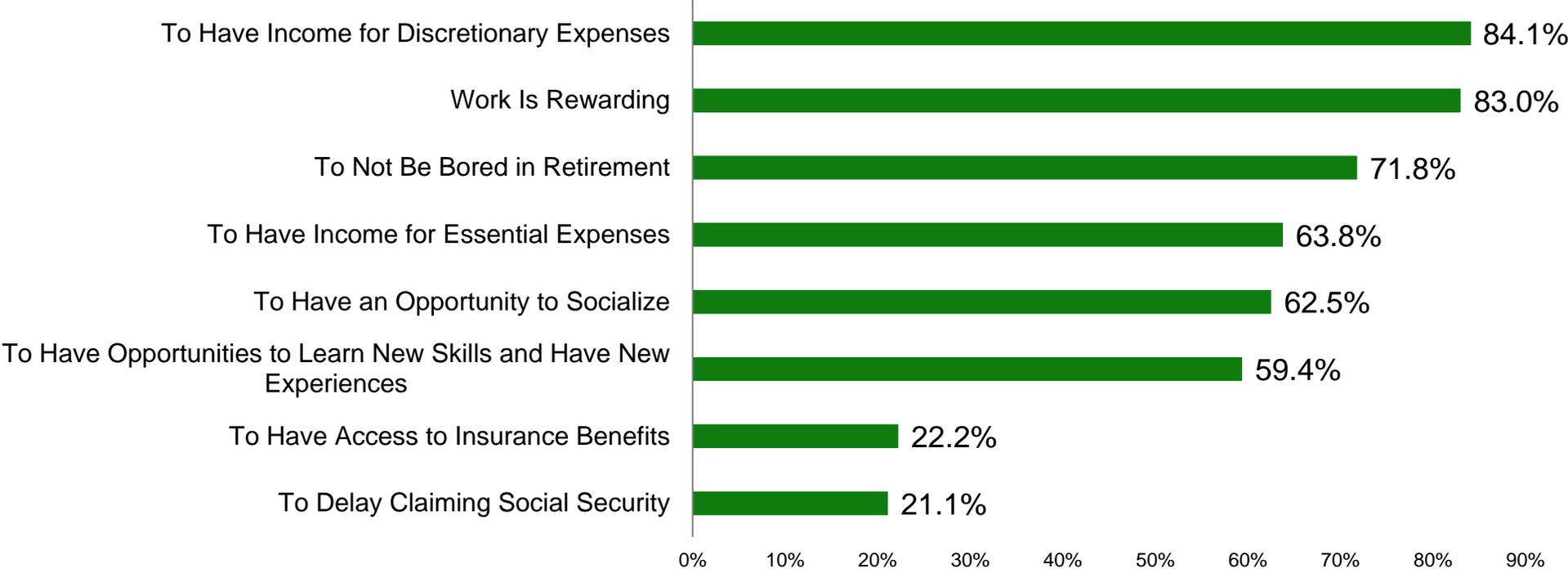
Reaction to Investment Losses

When your investments lose value to market loss or do not produce as much income due to lower interest rates, do you tend to...?

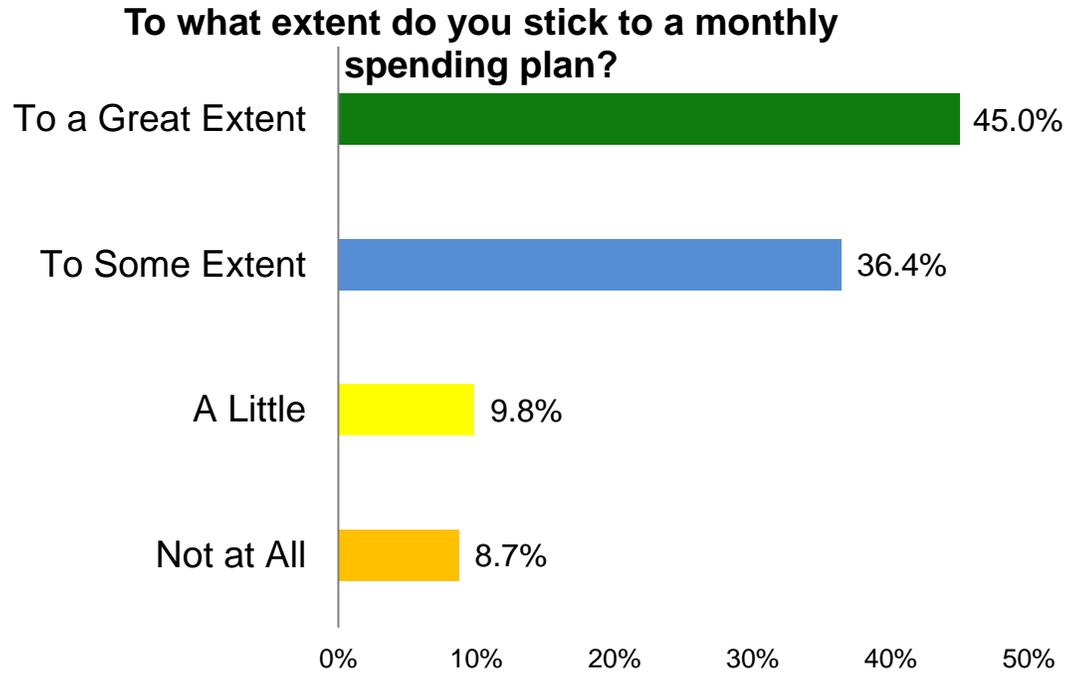


Working in Retirement

Reasons Given for Working/Having Worked in Retirement



Disciplined Spending and Making Spending Decisions



How easy or difficult is it for you to do the following?

