News From The Employee Benefit Research Institute

2024 Spending in Retirement Study Uncovers Concerning Trends on Dampened Spending Expectations Due to Lack of Sufficient Savings, Inflationary Pressures and Rising Credit Card Debt

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(Washington, D.C.) – Results from the 2024 Spending in Retirement study released today by the Employee Benefit Research Institute (EBRI) uncovered concerning trends on dampened spending expectations due to lack of sufficient savings, inflationary pressures and rising credit card debt. In addition, the 2024 survey is consistent with prior EBRI work showing a high proportion of current retirees retiring earlier than expected due to reasons beyond their control, such as health problems or disability and changes at their company like downsizing, closure or reorganization.

Key highlights in the new survey report include:

• In 2024, retirees rated two out of three well-being measures lower than they did in 2020 and 2022. On a scale of 1–10, where 1 is "not at all aligned," and 10 is "very aligned," retirees rated lifestyle alignment with preretirement expectations an average of 5.7, down slightly from 6.4 in 2022 and 6.8 in 2020. Similarly, retirees rated their satisfaction with life in retirement an average of 6.9 in 2024, down slightly from 7.0 in 2022 and 7.4 in 2020.
• Continuing the shift observed in 2022, more retirees (31%) said their spending is much higher or a little higher than they can afford in 2024 (up from 27% in 2022 and 17% in 2020).
• In 2024, 68% of retirees with debt reported having credit card debt outstanding.
• Given their economic circumstances during retirement, half of the retirees said they saved less than what was needed for retirement. One in three said they saved the right amount and 17% said they saved more than what was needed.
• Among the 58% who retired earlier than expected, the most common reasons for retiring were having a health problem or disability (38%) and changes at their company, such as downsizing, closure, or reorganization (23%).
• For the eight in 10 retirees who said Social Security is a current income source of income, it represents about half of their total current income. Separate from Social Security, 39% of retirees said they currently receive guaranteed income through a workplace pension or annuity. Having guaranteed income as a component of current income is positively correlated with strong well-being in retirement.
• Individual retirement accounts (IRAs) were noted as being a current income source for 20% of retirees, while 401(k)-like workplace retirement plans were an income source for 17% of retirees. The median share of income generated by these accounts was 10% for IRAs and 15% for 401(k)-like accounts.
• Retirees were asked to rate their consumption philosophy on a scale of 1–10, where 1 is "I have a savings mindset" and 10 is "I have a spending mindset." While half (51%) were relatively neutral, rating themselves as a 4, 5, 6, or 7, about 38% said they have a "savings mindset" with a rating of 1, 2, or 3. On the other end of the spectrum, just 11% said they had a "spending mindset" with a self-reported rating of 8, 9, or 10.
• Overall, 59% of retirees said they have three months of emergency savings, down from 69% in 2022. Yet, one in three (36%) retirees have experienced unexpected spending needs since their retirement.

"A lack of sufficient savings and retirement preparation negatively influences retirees' spending outlook, particularly among those with total annual household incomes below $50,000. Compared with 2020, fewer retirees indicated that they would spend down all or a significant portion of their financial assets over the course of their retirement," explained Bridget Bearden, Ph.D., research and development strategist, EBRI. "These spending constraints contribute to declining levels of well-being in retirement, with retirees rating two out of three well-being measures lower in 2024 than they did in 2020 and 2022. At the same time, longer tenure, fewer employers over a career, more years participating in a retirement plan, and the presence of guaranteed income in retirement are correlated with more positive outlooks on spending and well-being."

The third Spending in Retirement study, fielded during the summer of 2024, surveyed 3,661 American retirees between the ages of 62 and 75 who either identified as (a) retired, not working or retired, working part time or (b) had an active labor market status but considered themselves retired from a primary career. The survey sought to understand the respondents' current financial situation, understanding of income sources, sources of information, retirement goals and satisfaction.

To review a summary of the 2024 Spending in Retirement report, visit www.ebri.org/publications/research-publications/issue-briefs/content/2024-spending-in-retirement-survey.

The 2024 Spending in Retirement Survey was conducted through the financial support of Capital Group/American Funds, Empower, Mercer, Principal Financial Group, Transamerica, BlackRock, J.P. Morgan, PGIM and SS&C Technologies.

The Employee Benefit Research Institute is a non-profit, independent and unbiased research organization that provides the most authoritative and objective information about critical issues relating to employee benefit programs in the United States. The organization also coordinates activities for the Center for Research on Health Benefits Innovation, Financial Wellbeing Research Center, and Retirement Security Research Center and produces a variety of leading industry surveys during the year. For more information, visit www.ebri.org.

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(Media Note: To receive the complete survey report, email Ron Dresner at dresner@ebri.org).