The New Retirement: Phased Retirement and Phases of Retirement

Presentation at Financial Planning Association
Anna Rappaport

September 2011
The World Today: New Retirement

- Living longer—one year per decade?
- Boomers are at traditional retirement age
- Living with aftermath of 2007-2009 economy
  - Big drops in 401(k) balances and varying degrees of recovery
  - Housing prices dropped
  - Many jobs lost/much harder to find jobs
- Personal challenges and opportunities
  - Two portfolios—financial and activities
  - Plan for options during retirement
  - Think longer term
Agenda

- When and How We Retire
- Phased Retirement: An Important Option
- What Changes During Retirement
- Insights into Planning
- Special Issues for Women
- Taking Action for the Future

Focus on research and facts:
Society of Actuaries is major resource
When We Retire

- Third age—transition between career commitment and full retirement
- Major increase in individual responsibility
- Retiring a little later
- But, say we expect to retire much later
- Longer life = healthy longer on average, but not forever
- About 4 in 10 retire earlier than planned
- Disability drives decisions: of those who are not in labor force at 50-61
  - 67% of men are disabled
  - 40% of women are disabled
- Couples often retire at different times
How We Retire

- More than 7 in 10 people say they want to work in retirement
- Many work after “retirement”—often part-time or part-year
  - CRS Sept. 2008 study indicates that 37% of men and 35% of women aged 55 to 64 who were receiving pensions in 2007 were employed in March 2008
  - Of those aged 65 and over, 12% of men and 9% of women were employed

Tip for planners: Plan for transitional phase
Almost 1 in 3 pre-retirees feel retirement won’t apply to them

Do you think there will come a time when you begin to think of yourself as retired or doesn’t retirement really apply to your situation? (Pre-retirees, 2009 n=403)

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
Mostly this is due to finances or desire to continue working

Why do you say that? (Pre-retirees, 2009 n=130)

- Financially unable to retire: 31%
- Choose to continue working: 23%
- Not employed: 16%
- Self-employed: 8%
- It's a long way off: 7%
- Don't think will live long enough: 7%

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
**Pre-retirees expect to retire later than retirees**

At what age (retirees: did/pre-retirees: do you expect to) retire from your primary occupation?

<table>
<thead>
<tr>
<th>Age category</th>
<th>Retirees (n=393) (%)</th>
<th>Pre-retirees (n=273) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 55</td>
<td>28</td>
<td>1</td>
</tr>
<tr>
<td>55 to 61</td>
<td>33</td>
<td>24</td>
</tr>
<tr>
<td>62 to 64</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>65 to 69</td>
<td>14</td>
<td>38</td>
</tr>
<tr>
<td>70 or older</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Don't know</td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
Many may be ignoring possibility of involuntary early retirement

Did you retire earlier than you planned, later than you planned, or about when you planned? (Retirees, 2009 n=256)

Source: EBRI/Greenwald, 1999-2009 Retirement Confidence Surveys
Discussion

- What does this data mean to us?
- What should we tell clients?
- Do we need more information?
Defining Phased Retirement: A Personal Perspective

- Allows us to work on reduced or modified basis before retirement (phasing pre-retirement)
- Allows us to work after we retire (phasing post-retirement)
- Modified work may mean change of schedule, place or duties
- Might enable us to collect some portion of our pension benefits as we work (once retirement eligible)
- Can be formal or informal (negotiated) arrangement
- Includes working for long-term employer, a different employer, or for ourselves
Phased retirement will likely increase in the future

Which statement comes closest to describing how you retired/plan to retire from your primary occupation? (Among those providing retirement age from primary occupation)


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Few retire at the same time as their spouse

Who retired/will retire first? You, your spouse, or will you and your spouse retire together? (Among married retirees and pre-retirees providing retirement age from primary occupation)

Stakeholder perspectives on phased retirement

- **Individuals 50+**: Interested in flexibility, work options, family and money
- **Employers**: Need talent and good results. Most employers think of phased retirement as a win/win for employers and employees
- **Policymakers and public**: Need well functioning economy. Most policymakers think of phased retirement as a program that primarily should help the worker or address concerns about the shortage of workers and the impact that shortage has on the federal government programs
- **Advocates for individuals**: Focus is on preventing possible loss of benefits, not on creating work options

**Bottom line**: Hard to define policy that works
Why phased retirement?
Individual perspective

- Many jobs have turned into 60+ hours per week—very stressful
- Family members needing care
- Family member retiring at a different time
- Disability and physical limitations
- Fits personal needs when spouse retires first
- Desire to choose projects
- Desire for schedule flexibility including how much to work
- Interest in different life balance
- Interest in different type of work

Tip for planners: Personal goals will differ. A fact finding tool would be helpful—very different from financial fact finding. One of your colleagues recommends www.moneyquotient.com
Why phased retirement?
Employer perspective

- Helps keep valued and hard to replace talent (95% in August 2008 Mercer survey—keeping employees working longer was primary reason for phased retirement)
- Regular staff don’t have time for special projects
- Former employees ideal to help with training
- Peak loads including unpredictable peaks, e.g. after storms
- Variable work loads and seasonal work patterns
- Keep open promotion paths
- Fill in when someone disabled/on vacation

Tip for Planners: Remember advantages to employers and importance of negotiation
Phasing A Little vs. Phasing A Lot

**Phasing a little**
- Usually regular schedule, reduced somewhat
- Regular employee with ongoing commitment, predictable income and health benefits
- Unlikely to get pension payments
- Modest flexibility with same work options as offered to employees generally

**Phasing a lot**
- Many schedule options including on-call, pool, seasonal work, job-sharing
- Most likely temporary or consultant; may not have regular commitment or salary, unlikely to have health benefits
- Likely to get pension payments
- Lot of flexibility and probably different work options
Example: Bank teller

**Phasing pre-retirement**
- Works 3 or 4 days per week on regular basis as regular employee
- Works at regular work location
- In future can be paid partial pension after age 62

**Phasing post-retirement**
- Work as fill-in during vacations or on-call during the year
- Work as temporary or through a retiree pool
- In a bank with multiple branches, may work at different locations
- Paid pension and appropriate compensation for work performed
Creating best personal option for phased retirement

- Considerations: money, benefits, engagement, life balance
- Building a personal option: define needs and goals
  - Less/different work before retirement
  - Retire and work after retirement
    - Same or different employer
    - Start a business
  - Fixed commitment vs. more variable
  - Same work as before or different?
- Key: find personal match to organizational talent needs
  - Be prepared to propose and negotiate

Tip for planners: Help identify resources and think through issues
Getting/Building Job During Retirement

Most common form of phased retirement

- Build a business
- Find opportunity with prior employer or a new job
- Look for special programs
  - YourEncore: supports 30 Fortune 500 companies with 4000 experts—scientific and engineering personnel
  - Southern company: in-house pool
  - Aerospace Corporation: retiree casual program with 600 participants. 300 work at one time
  - Monsanto: Resource Re-entry Center, available to all former employees
Issues in contracting, structuring an arrangement

- Who drives process
- What advice is needed
- Compensation—how determined and how paid
  - Salaried, hourly, flat fee, retainer with hourly charges
- How much of an obligation—one project, ongoing, fill in on temporary basis
- Special issues
  - Liability and personal protection
  - Indemnification and insurance
  - Confidentiality, professional standards
  - Intellectual capital—who owns what
  - Non-compete issues
  - Who pays taxes

Tip for planners: This is an area where advice is needed and there is specialized knowledge required

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An Opposing View

Phased Retirement is Not the Path to Retirement Security
by Alicia H. Munnell*

- Promotes working longer for greater security—move average retirement age from 63 to 67
- Argues that phased retirement will not lead to enhanced retirement security

*2009 Paper published by the CFA Institute in The Future of Life-Cycle Saving and Investing: The Retirement Phase
Discussion

- What does this data mean to us?
- What should we tell clients?
- Do we need more information?
Importance of retirement ages

- Working longer means more security
  - Shorter time to use resources in retirement
  - More savings and pensions
  - Better Social Security benefit
  - More time to stay in employer health benefits
- Social Security benefits at 70 are about 75% greater than at age 62
- Impacts widow as well as couple
- Now linked to cognitive ability

Tip for planners: Many knowledge gaps around importance of working longer; appears that many people do not evaluate well. Be sure to think about couple issues as well as individual issues.
Retirement and health

“We find that early retirement has a significant negative impact on the cognitive ability of people in their early 60s that is both quantitatively important and causal.”

From “Mental Retirement” by Susann Rohwedder and Robert J. Willis. Published by Netspar, October 2009

Tip for planners: This research is not well known
People believe delaying retirement will help increase security

[Suppose you retired three years later.] Do you think this would make your retirement financially…?
(Among those retired/expecting to retire)

- Retirees (n=390)
- Pre-retirees (n=271)

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

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Much of the added security comes from continuing employer health

[If you retired three years later,] how much, if at all, would each of the following (have increased/increase) your financial security in retirement? (Among those retired/expecting to retire: Retirees, 2009 n=390; Pre-retirees, 2009 n=271)

Continuing to receive health insurance from your employer

Retirees:  
- A lot: 28%  
- A little: 19%  
- A lot: 47%

Pre-retirees:  
- A lot: 63%  
- A little: 18%  
- A lot: 82%

Having 3 more years to make contributions to investments

Retirees:  
- A lot: 17%  
- A little: 42%  
- A little: 59%

Pre-retirees:  
- A lot: 17%  
- A little: 64%  
- A little: 81%

Increasing the amount you receive from Social Security

Retirees:  
- A lot: 16%  
- A little: 50%  
- A little: 66%

Pre-retirees:  
- A lot: 20%  
- A little: 61%  
- A little: 81%

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
Less comes from relying on savings for a shorter time

[If you retired three years later,] how much, if at all, would each of the following (have increased/increase) your financial security in retirement?
(Among those retired/expecting to retire: Retirees, 2009 n=390; Pre-retirees, 2009 n=271)

Retirees:  Pre-retirees:

Increasing the amount you receive from a DB plan

<table>
<thead>
<tr>
<th></th>
<th>A lot</th>
<th>A little</th>
<th>Very little</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees:</td>
<td>15%</td>
<td>49%</td>
<td>63%</td>
</tr>
<tr>
<td>Pre-retirees:</td>
<td>24%</td>
<td>52%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Relying on your savings for a shorter period of time

<table>
<thead>
<tr>
<th></th>
<th>A lot</th>
<th>A little</th>
<th>Very little</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees:</td>
<td>12%</td>
<td>36%</td>
<td>48%</td>
</tr>
<tr>
<td>Pre-retirees:</td>
<td>13%</td>
<td>52%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Increasing the amount your [surviving] spouse will receive from Social Security (Retirees, n=242; Pre-retirees, n=206)

<table>
<thead>
<tr>
<th></th>
<th>A lot</th>
<th>A little</th>
<th>Very little</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees:</td>
<td>10%</td>
<td>43%</td>
<td>52%</td>
</tr>
<tr>
<td>Pre-retirees:</td>
<td>17%</td>
<td>56%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
What changes during retirement: Phases of retirement

- What people say and expect
  - Expectations about change and planning for it
  - Special focus of 2007 SOA Risks and Process of Retirement Survey

- What people do
  - Urban Institute analysis looks at time use and types of activity
  - Analysis of HRS Data by Barbara Butrica of Urban Institute
Phases of retirement

- Different way to think about retirement
- Can be defined by activity level, working or not working, age, health status, family status
- Survey defines phases based on abilities and associated needs
- Those who expect to work are unlikely to do so after age 75
- Couple issues
  - Timing of retirement
  - Changes at death of spouse

Tip for planners: Planning often focused on first phases, but there are greater needs in later phases. Think about money, housing, and engagement

Great reference: www.gettingolderhappens.com
Only half of retirees have or expect an active stage of retirement

Do you think you will have a time in retirement when your abilities and needs are about the same as before you retired?

- **52%**
  - Retiree (n=400)

- **60%**
  - Pre-retiree (n=401)

A majority expect to experience some level of incapacity

Do you think you will have a time in retirement…?

When your abilities and needs are about the same before you retired
- Retiree (n=400) 52%
- Pre-retiree (n=401) 60%

When you are somewhat less able to do things you used to do and your needs are somewhat different
- Retiree (n=400) 72%
- Pre-retiree (n=401) 84%

When you are much less able to do things you used to do and your needs are very different
- Retiree (n=400) 65%
- Pre-retiree (n=401) 68%

Dependence on family or community services is expected to increase

I’m going to ask about some ways your needs might change during this time. Do you think you will need…? (Among those experiencing each stage)

<table>
<thead>
<tr>
<th></th>
<th>Less Active Stage</th>
<th>Least Active Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retirees (%)</td>
<td>Pre-retirees (%)</td>
</tr>
<tr>
<td></td>
<td>(n=284)</td>
<td>(n=337)</td>
</tr>
<tr>
<td>To modify your home or move to a home that is more livable</td>
<td>48</td>
<td>56</td>
</tr>
<tr>
<td>To depend on your family or community services for assistance</td>
<td>46</td>
<td>59</td>
</tr>
<tr>
<td>To pay someone to provide assistance</td>
<td>41</td>
<td>46</td>
</tr>
<tr>
<td>Nursing home or home health care</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>


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Half think their increasing needs will require more income

During this time, do you think you will need less money, more money, or about the same amount of money as before to cover your expenses? (Among those experiencing each stage)

<table>
<thead>
<tr>
<th></th>
<th>Less Active Stage</th>
<th>Least Active Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retirees (%)</td>
<td>Pre-retirees (%)</td>
</tr>
<tr>
<td></td>
<td>(n=284)</td>
<td>(n=337)</td>
</tr>
<tr>
<td>More money</td>
<td>50</td>
<td>42</td>
</tr>
<tr>
<td>About the same amount of money</td>
<td>40</td>
<td>38</td>
</tr>
<tr>
<td>Less money</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Don’t know</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

Insurance plays only a small role in preparing for increased need

What, if anything, have you done or will you do to prepare for your changing needs in retirement? (Among those expecting less active stages)

<table>
<thead>
<tr>
<th>Top Mentions (multiple responses accepted)</th>
<th>Retirees (%) (n=330)</th>
<th>Pre-retirees (%) (n=353)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Save (more) money</td>
<td>16</td>
<td>37</td>
</tr>
<tr>
<td>Invest to make assets last</td>
<td>15</td>
<td>19</td>
</tr>
<tr>
<td>Buy long-term care insurance</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Make home modifications</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Cut back on spending</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Stay healthy/improve health</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Pay off debts</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Nothing</td>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>Don’t know</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

Few believe they will suffer financially by spouse’s death

If your spouse were to pass away before you/If you were to pass away before your spouse, do you think it would leave you/your spouse financially…? (Among married Retirees, 2009 n=249); Pre-retirees, 2009 n=293)

Retirees: Survivor is you 69% Survivor is spouse 68%
Pre-retirees: Survivor is you 63% Survivor is spouse 60%

Better off 14% 19% 16%
About the same 28%
Worse off 16% 11% 12%

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
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Research on how older Americans spend their time

- Uses Health and Retirement Study
- National data base—longitudinal study since 1992
- The 2004 HRS includes 20,129 respondents ages 51 and older.
- The HRS asks respondents about volunteering, parent care, child care, spouse care, work, time spent helping others, as well as their financial resources, religiosity, health status, and basic demographics.

Question for planners: Do your clients need help in thinking about engagement and what will work best for them?
What older Americans do with their time varies by age...

Source: Butrica, Barbara, How Do Older Americans Spend Their Time, Urban Institute
...and health status

Source: Butrica, Barbara, How Do Older Americans Spend Their Time, Urban Institute
Who works past age 65?

Source: Butrica, Barbara, How Do Older Americans Spend Their Time, Urban Institute
Seniors who are more active say they are more satisfied with retirement

Source: Butrica, Barbara, How Do Older Americans Spend Their Time, Urban Institute

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However, retirement satisfaction varies by the type of engagement.

Retirees Age 55+ in 2002

<table>
<thead>
<tr>
<th>Type of Engagement</th>
<th>Percentage Point Change in Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work and Volunteering</td>
<td>8.1</td>
</tr>
<tr>
<td>Formal Volunteering Only</td>
<td>8.8</td>
</tr>
<tr>
<td>Formal and Informal Volunteering</td>
<td>9.1</td>
</tr>
<tr>
<td>Caregiving and Volunteering</td>
<td>4.4</td>
</tr>
<tr>
<td>Caregiving Only</td>
<td>-4.1</td>
</tr>
<tr>
<td>Multiple Caregiving Tasks</td>
<td>-13.4</td>
</tr>
</tbody>
</table>

Source: Butrica, Barbara, How Do Older Americans Spend Their Time, Urban Institute
Discussion

- What does this data mean to us?
- What should we tell clients?
- Do we need more information?
Future of work during retirement: Will opportunities exist?

- Unemployment big problem today
- Many people say they want to work in retirement
- Many people retire earlier than planned
- How many lose jobs?
- Displaced worker research: harder to get jobs
- Specific occupations will face challenges
  - Nurses, nuclear engineers, e.g.
  - How many and where?
- Needs for workers subject to
  - Changes in market need
  - Outsourcing
Insights on Planning for Retirement

- New area in 2009 Society of Actuaries Survey on Post-Retirement Needs and Risks
- Concerns among survey oversight group
  - Planning horizon—is it too short?
  - Is there adequate focus on risk management?
- Prior experience tells us
  - Gaps in knowledge
  - Not very much focus on risk management products
More than half have a planning horizon of 10 years or less

When you make important financial decisions, about how many years do you look into the future?

<table>
<thead>
<tr>
<th>Years</th>
<th>Retirees (n=401) (%)</th>
<th>Pre-retirees (n=40.) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>1 to 4 years</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>5 to 9 years</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>10 to 19 years</td>
<td>16</td>
<td>37</td>
</tr>
<tr>
<td>20 years or more</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Don't know</td>
<td>27</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
Most agree they should consider their longevity and health

To what extent do you agree or disagree with each of the following statements about retirement finances?
( Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

Retirees:  
Pre-retirees:  

- **It is important to consider how long you might live when thinking about your retirement finances**
  - Retirees: 54% Strongly agree 29% Somewhat agree 83%
  - Pre-retirees: 64% Strongly agree 25% Somewhat agree 89%

- **Your health will be the main factor affecting how long your retirement money lasts**
  - Retirees: 52% Strongly agree 30% Somewhat agree 82%
  - Pre-retirees: 59% Strongly agree 29% Somewhat agree 88%

- **If someone manages their finances well during their first 3 years of retirement, then their money will last**
  - Retirees: 16% Strongly agree 38% Somewhat agree 54%
  - Pre-retirees: 20% Strongly agree 44% Somewhat agree 64%

Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
Almost all married respondents agree they should consult spouse

To what extent do you agree or disagree with each of the following statements about retirement finances?
( Retirees, 2009 n=249; Pre-retirees, 2009 n=293)

Retirees:  Pre-retirees:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Somewhat agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is important that you and your spouse agree on your retirement finances/plans</td>
<td>79%</td>
<td>16%</td>
</tr>
<tr>
<td>Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey</td>
<td>95%</td>
<td>86%</td>
</tr>
</tbody>
</table>

It is important to consider how long your spouse might live when thinking about your retirement finances

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Somewhat agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>70%</td>
<td>24%</td>
<td>94%</td>
</tr>
<tr>
<td>Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Most plan for death of spouse, but fewer plan to manage spending

With regard to your retirement finances, have you or do you plan to…? (Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Retirees:</th>
<th>Pre-retirees:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discuss the financial impact on [the surviving] spouse</td>
<td>75%</td>
<td>66%</td>
</tr>
<tr>
<td>Allocate your investments and savings among different types of assets</td>
<td>67%</td>
<td>64%</td>
</tr>
<tr>
<td>Create a plan to manage your money and how much to spend so you do not</td>
<td>57%</td>
<td>36%</td>
</tr>
<tr>
<td>outlive your financial resources</td>
<td>12%</td>
<td>49%</td>
</tr>
</tbody>
</table>

Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
Most will make some plans for inflation and long-term care

With regard to your retirement finances, have you or do you plan to…?
( Retirees, 2009 n=401; Pre-retirees, 2009 n=403)

- Calculate how much inflation will affect the amount of money you have later in life
  - Retirees: 42% Already done, 13% Plan to do
  - Pre-retirees: 36% Already done, 37% Plan to do

- Prepare financially for the possibility of needing long-term care due to poor health or frailty
  - Retirees: 40% Already done, 17% Plan to do
  - Pre-retirees: 25% Already done, 35% Plan to do

Note: Responses for categories may not sum to total due to multiple responses.
Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey
Discussion

- What does this data mean to us?
- What should we tell clients?
- Do we need more information?
Special Issues for Women

- Social Security and Pension Plans—same provisions by sex, but…
- Men and Women have different life histories
  - Women live longer
  - Much more likely to be alone and very dependent on Social Security—4 out of 10 older women living alone
  - Fewer work years and lower earnings = lower $
  - More likely to need long-term care without family member to provide care
## Risks and Special Issues for Women

<table>
<thead>
<tr>
<th>Risk</th>
<th>Potential Range</th>
</tr>
</thead>
</table>
| Outliving Assets                    | At 65 – life expectancy = 17 years for men and 20 for women  
20% of men and 30% of women 65 can expect to live to 90                                                                                           |
| Loss of spouse                      | Women often marry older men + live longer, periods of widowhood of 15 years+ are not uncommon                                                                                                                   |
| Decline in functional status        | Women have longer expected periods of needing help  
Women are less likely to have family caregiver                                                                                                      |
| Health and medical expenses         | Couple both age 65 can expect $250,000 in lifetime costs beyond Medicare; varies a lot by situation                                                                                                            |
| Inflation                           | Women live longer and are more affected by inflation                                                                                                                                                           |
| Investment risk                     | Women are less likely to take risk than men                                                                                                                                                                   |
| Premature retirement risk           | 4 out of 10 retire before they had planned to                                                                                                                                                |
## What changes by age: Median total income and reliance on Social Security

<table>
<thead>
<tr>
<th></th>
<th>Age 65-69</th>
<th>Age 70-74</th>
<th>Age 75-79</th>
<th>Age 80+</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median Total Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>$47.3</td>
<td>$39.9</td>
<td>$33.3</td>
<td>$30.6</td>
</tr>
<tr>
<td>Not married</td>
<td>$19.0</td>
<td>$16.1</td>
<td>$15.9</td>
<td>$14.7</td>
</tr>
<tr>
<td><strong>Percent relying on Social Security for more than</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50% of income</td>
<td>41%</td>
<td>55%</td>
<td>63%</td>
<td>71%</td>
</tr>
<tr>
<td>90% of income</td>
<td>20</td>
<td>27</td>
<td>32</td>
<td>37</td>
</tr>
</tbody>
</table>

Note: Income is in thousands
Source: Rappaport, Anna, Risk Management Issues for Individuals with Special Emphasis for Women, Exhibit III, Society of Actuaries Living to 100 Monograph, 2011
What changes by age: Percentage of individuals by marital status, sex and age

<table>
<thead>
<tr>
<th></th>
<th>Age 65-74</th>
<th>Age 75-84</th>
<th>Age 85 +</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MALES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Married</td>
<td>78%</td>
<td>74%</td>
<td>60%</td>
</tr>
<tr>
<td>% Widowed</td>
<td>8%</td>
<td>17%</td>
<td>34%</td>
</tr>
<tr>
<td><strong>FEMALES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Married</td>
<td>57%</td>
<td>38%</td>
<td>15%</td>
</tr>
<tr>
<td>% Widowed</td>
<td>26%</td>
<td>52%</td>
<td>76%</td>
</tr>
</tbody>
</table>

Source: Rappaport, Anna, Risk Management Issues for Individuals with Special Emphasis for Women, Exhibit VI, Society of Actuaries Living to 100 Monograph, 2011
# Division of Life Expectancy (in years) by Health States (U.S. Data)

<table>
<thead>
<tr>
<th>Age</th>
<th>Non-Disabled</th>
<th>Mild or moderate disability</th>
<th>More severely disabled</th>
<th>Total Life Expectancy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MALES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>12.34</td>
<td>1.50</td>
<td>1.50</td>
<td>15.33</td>
</tr>
<tr>
<td>75</td>
<td>6.77</td>
<td>1.37</td>
<td>1.61</td>
<td>9.76</td>
</tr>
<tr>
<td>85</td>
<td>2.89</td>
<td>1.04</td>
<td>1.75</td>
<td>5.68</td>
</tr>
<tr>
<td>95</td>
<td>.81</td>
<td>.61</td>
<td>1.91</td>
<td>3.34</td>
</tr>
<tr>
<td></td>
<td>FEMALES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>13.65</td>
<td>2.97</td>
<td>2.83</td>
<td>19.44</td>
</tr>
<tr>
<td>75</td>
<td>6.99</td>
<td>2.55</td>
<td>2.96</td>
<td>12.50</td>
</tr>
<tr>
<td>85</td>
<td>2.47</td>
<td>1.74</td>
<td>3.03</td>
<td>7.24</td>
</tr>
<tr>
<td>95</td>
<td>.52</td>
<td>.78</td>
<td>2.54</td>
<td>3.84</td>
</tr>
</tbody>
</table>

Source: Rappaport, Anna, Risk Management Issues for Individuals with Special Emphasis for Women, Exhibit VIII, Society of Actuaries Living to 100 Monograph, 2011
Wealth of Middle Income Households Age 55 to 64

Analysis based on 2004 Survey of Consumer Finances

<table>
<thead>
<tr>
<th>Household Type</th>
<th>Number of Households</th>
<th>Median Income</th>
<th>Est. Median Net Worth</th>
<th>Non-Financial Assets</th>
<th>Financial Assets</th>
<th>Non-Financial Assets %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle Mass Household Segments (25% to 75% of all households)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>5.2 million</td>
<td>$75,000</td>
<td>$348,000</td>
<td>$240,000</td>
<td>$108,000</td>
<td>69%</td>
</tr>
<tr>
<td>Single Female</td>
<td>2.5 million</td>
<td>$28,000</td>
<td>$111,000</td>
<td>$75,000</td>
<td>$36,000</td>
<td>68%</td>
</tr>
<tr>
<td>Single Male</td>
<td>1.4 million</td>
<td>$41,000</td>
<td>$125,000</td>
<td>$89,000</td>
<td>$36,000</td>
<td>71%</td>
</tr>
<tr>
<td>Mass Affluent Household Segments (75% to 85% of all Households)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>1.0 million</td>
<td>$132,000</td>
<td>$1,300,000</td>
<td>$884,000</td>
<td>$416,000</td>
<td>68%</td>
</tr>
<tr>
<td>Single Female</td>
<td>.5 million</td>
<td>$58,000</td>
<td>$415,000</td>
<td>$299,000</td>
<td>$116,000</td>
<td>72%</td>
</tr>
<tr>
<td>Single Male</td>
<td>.3 million</td>
<td>$79,000</td>
<td>$465,000</td>
<td>$349,000</td>
<td>$116,000</td>
<td>75%</td>
</tr>
</tbody>
</table>

Special Post-Retirement Risks for Women: Loss of Spouse

- Periods of widowhood of 15 years or more are not uncommon.
- The death of a spouse is often accompanied by a decline in standard of living.*
- Women are much more likely to be alone in old age.
- Elderly women are more likely to be poor.
- More than 85% of the female population over age 85 are widows compared to about 45% for men.

* Social Security income is reduced and pensions may be discontinued or reduced depending on option elected.
Special Post-Retirement Risks for Women: Decline in Functional Status

- Nursing home costs may run $70,000 or more per year. (1)
- Women more likely to be caregivers, less likely to have a family caregiver.
- Care may be provided at home, in adult day care centers, assisted living facilities or nursing homes.
- Women are likely to have a longer period of chronic disability and need assistance in a long-term care facility or from a paid caregiver.
- 20% of the residual life expectancy at age 65 for men and 30% of the residual life expectancy at age 65 for women were spent in a state of chronic disability. (2)
- Women alone have lower assets and income.

(1) MetLife Market Survey of Nursing Home and Home Health Care Costs, 2005
(2) National Long Term Care Study data from 1984, 1989 and 1994
Summary of Key Facts

- Married couples are much better off than single persons
- Many more older single women than men
- Income from Social Security—fairly constant by age
- Other sources of income decline with increasing age
- Social Security monthly benefits can be increased by later claiming, but most claim early
- Chances of being frail increase significantly at higher ages
- Women expected to have longer periods of frailty
- Older women alone are very dependent on Social Security
- Risk management products not very popular method of managing risk
Conclusions Specific to Women

- Role of Social Security is critical, especially to women alone at lower income levels
- Financial literacy challenges are more severe for women
- Married women are very often widowed later in life
- Widows are often impacted by their husband’s early retirement
- Women near retirement often focus more on the short-term and managing day-to-day
- Having a shorter planning horizon has more of an impact on women due to their longer life expectancy
- Inflation is more important to women
Discussion

- What does this data mean to us?
- What should we tell clients?
- Do we need more information?
Taking Action for the Future

- Planning for the New Retirement is somewhat like career planning, but with key differences

- Some important steps
  - Set goals and keep score
  - Get finances in order
  - Test out different times for start of retirement process and complete retirement
  - Don’t forget risk management
  - Keep skills up to date to fit desired activities
  - Maintain contacts/network
  - Shape “life portfolio” to fit desires
  - Think long term
Conclusions

- Different life patterns at age 50 and up
- Work increasing important, but integrated in different ways
- Phased retirement offers new options
- Social systems require more personal responsibility but gaps in knowledge
  - Need longer planning horizons
  - Need to focus on change during retirement
  - Need to think more about risk management
- Opportunity for better planning
Discussion

- What does this data mean to us?
- What should we tell clients?
- Do we need more information?
Appendix

Appendix includes additional information beyond that presented in oral presentation

- Information about Society of Actuaries Committee and Research Methodologies
- Added research and data
- Resources for people seeking new options and ideas for how to get there
AARP—lists companies that are interested in hiring seniors
http://www.aarp.org/money/work/articles/national_employer_team.html

Retirementjobs.com—provides services to seniors seeking work and offers job matching
http://www.retirementjobs.com/

YourEncore—consulting and innovation organization that brings employers and retired scientists and engineers together to work on projects
http://www.yourencore.com/
Resources for Building a New Retirement

Retirement Living Information Center—excellent list of resources and information on a variety of issues
http://www.retirementliving.com/RLjobs.html

Seniors 4 Hire—Nationwide online Career Center
http://www.seniors4hire.org/

Kelly Services—offers a range of job opportunities
(many other temp services also serve seniors)
Resources for Building a New Retirement

The Transition Network—
http://www.thetransitionnetwork.org/

Project Renewment—book, information, resources for women moving into the next stage
http://www.projectrenewment.com/

Freelancers Union—source of information, insurance for people working independently—
http://www.freelancersunion.org/about/index.html
SOA Committee on Post-Retirement Needs and Risks

- Focus is on understanding and mechanisms to assist in distribution phase
- Work
  - Risk Chart
  - Risks and Process of Retirement Surveys
    - Select issues for special focus
  - Misperceptions Papers
  - Focus Groups on Financial Management in Retirement
Methodology: Risks and Process of Retirement Survey

- Sponsored by the Society of Actuaries
- 801 19-minute telephone interviews conducted in June and July 2007
- Interviewed Americans ages 45 to 80
  - Considered retirees and pre-retirees separately
- Margin of error at 95% confidence level is ±5 percentage points for all retirees and all pre-retirees
- Conducted by Mathew Greenwald & Associates and Employee Benefit Research Institute (EBRI)
Data: Health and Retirement Study

- Nationally representative survey of older Americans.
- Began in 1992 with a sample of adults born between 1931 and 1941 (ages 51 to 61) and their spouses, who were reinterviewed every two years.
- Other cohorts were added to the survey design after 1992.
Other Data Sources

- **American Time-Use Survey (ATUS)**
  - Nationally representative of the noninstitutionalized population age 15 and older. Provides age detail for respondents up to age 80.
  - Respondents sequentially report their activities for a 24-hour period.
  - Also includes information about household composition, demographics, and labor force status.

- **Consumption and Activities Mail Survey (CAMS)**
  - Nationally representative of noninstitutionalized population age 51 and older.
  - Respondents report how much time they spent on 31 activities over the last week or last month.
  - Can be merged with the core HRS to get demographic, economic, and health information.
To contact Anna Rappaport
anna@annarappaport.com
312-642-4720
For more information:
www.annarappaport.com