

# **Insights into Women's Security in the Age of Personal Responsibility**

Includes Review of SOA Research: Perceptions, Management and Misunderstandings of Retirement Risks

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Important SOA Research about Retirement



# Agenda

- Context
- Why Are Women Different?
- Key Research Results by Issue
  - Post Retirement Risk Concerns
  - Planning for Retirement
- Conclusions and Future Insights
- Appendix I: Overview of SOA Research
- Appendix II: More Research Results



# Context: Assets for Retirement

## Wealth of Middle Income Households Age 55 to 64

Analysis based on 2010 Survey of Consumer Finances

Household Type	Number of Households	Median Income	Est. Median Net Worth	Non-Financial Assets	Financial Assets	Non-Financial Assets %
<b>Middle Mass Households (25% to 75% of households by income)</b>						
Married	5.7 million	\$82,000	\$277,000	\$181,000	\$96,000	65%
Single Female	2.7 million	\$32,000	\$41,000	\$34,000	\$7,000	83%
Single Male	1.8 million	\$44,000	\$76,000	\$63,000	\$13,000	83%
<b>Middle Affluent Households (75% to 85% of households by income)</b>						
Married	1.1 million	\$146,000	\$1,241,000	\$671,000	\$570,000	54%
Single Female	0.5 million	\$64,000	\$185,000	\$117,000	\$68,000	63%
Single Male	0.4 million	\$85,000	\$339,000	\$214,000	\$125,000	63%

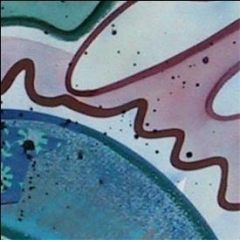
Note: Financial assets exclude the value of defined benefit pensions and Social Security.

Source: Society of Actuaries – Segmenting the Middle Market: Retirement Risks and Solutions, Update to 2010 Data.



# Context: Retirement Security Today

- Personal responsibility for and complexity of retirement security increasing
- Changing US retirement systems – more employer sponsored savings (DC) and fewer traditional pension plans (DB); less employer sponsored retiree health; many DB plans frozen; de-risking of current DB plans
  - Big issues: working years – saving more and not using money early
  - Big issues: at retirement – good decisions
- Social Security and Medicare vitally important
- As population ages, needs of the very old become more important to the nation and economic stability of government



# Why Are Women Different? Background

- Work history: shorter, different jobs, more likely to work in jobs without benefits
- Lower career earnings and accumulate less assets
- More often caregivers
- Do not consider themselves financially savvy and rely on others for financial advice
- Suffer income decrease upon widowhood
- Rely more on Social Security benefits – especially at older ages
- Longer lifetime and a longer lifetime as a single person



# Why Are Women Different?

## What changes by age: Percentage of individuals by marital status, sex and age

	Age 65-74	Age 75-84	Age 85 +
MALES			
% Married	78%	74%	60%
% Widowed	8%	17%	34%
FEMALES			
% Married	57%	38%	15%
% Widowed	26%	52%	76%

Source: Rappaport, Anna, Risk Management Issues for Individuals with Special Emphasis for Women, Exhibit VI, Society of Actuaries Living to 100 Monograph, 2011

# Why Are Women Different?

## Division of Life Expectancy (in years) by Health Status (U.S. Data)

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

Source: Rappaport, Anna, Risk Management Issues for Individuals with Special Emphasis for Women, Exhibit VIII, Society of Actuaries Living to 100 Monograph, 2011



# Overview of Research Results

## Post-Retirement Needs and Risks

- SOA Committee provides ongoing research: 15+ year effort
- Foundation: Managing post-retirement risks
- Focus: Middle income individual aged 50+
- Many gaps in knowledge about retirement
  - Few think long term: planning horizons are short
  - Assets vs. expectations: out of step
  - Major problems with math and financial literacy – lack of investment knowledge
  - Little focus on systematic risk management
- Major method of managing risks
  - Reduce spending
  - Little focus on risk management products





# Research Results

## Overview of 2001-2011 Risk Survey Results

- Persistent gaps in knowledge and understanding
- Top risk concerns over entire period: inflation, health and long term care
- Lot of stability after six surveys; overall consistency with other work
- Pre-retirees more concerned than retirees in all years
  - In 2011, retirees seem more concerned than in prior years
- Since the surveys started in 2001, two major periods of stock market decline – results seemed affected for the next survey after the decline
- Interest in buying financial products other than supplemental health insurance over age 65 and health insurance at all ages seems low



# SOA Risk Survey Top Concerns: % Very or Somewhat Concerned

RETIREES Year of Survey	Health Care Risk	Long-Term Care Risk	Inflation Risk
2011	61%	60%	<b>69%</b>
2009	49%	46%	<b>58%</b>
2007	51%	52%	<b>57%</b>
2005	46%	<b>52%</b>	51%
2003	46%	48%	<b>57%</b>
2001	43%	NA	<b>55%</b>
PRE- RETIREES			
2011	74%	66%	<b>77%</b>
2009	67%	55%	<b>71%</b>
2007	<b>69%</b>	63%	63%
2005	<b>75%</b>	61%	65%
2003	<b>79%</b>	66%	78%
2001	58%	NA	<b>63%</b>



# Overview of Research

## Preliminary Observations from Focus Groups on Retirement Decisions

- Decision to retire based more on career or life events rather than well thought out review or process
- Analysis of retirement financial adequacy is basic rather than careful consideration of risks and resources for income
- Interviewed men and women in separate groups – significant difference in concerns, expectations and attitudes were observed
- Women address issues differently than men
  - Caregiving of others primary consideration for retiring and spending in retirement – but do not expect caregiving for themselves will be provided
  - More concerned about retirement financial adequacy – but rely on others for financial advice



# Planning for Retirement

- Planning horizon is concern
- Actions vary by life cycle stage
  - Savings key during working years
  - Retirement age, Social Security claiming key at retirement
- Little focus on risk management products
- Gaps in understanding – death of spouse
- Gaps in understanding – impact of working longer
- Many people do not understand longevity
  - Particularly variability
  - Tend to underestimate longevity
- People who live longest will have problems



# Planning for Retirement

## Half of retirees, fewer pre-retirees have planning horizon < 10 years

When you make important financial decisions, about how many years do you look into the future? (Retirees, 2011 n=800; Pre-retirees, 2011 n=800)

	2009 Retirees (%)	2011 Retirees (%)	2009 Pre-retirees (%)	2011 Pre-retirees (%)
Less than 1 year	10	7	1	3
1 to 4 years	20	15	12	7
5 to 9 years	19	26	24	22
10 to 19 years	16	23	37	37
20 years or more	7	11	13	19
Don't know	27	16	12	10

Source: Society of Actuaries, 2009-2011 Risks and Process of Retirement Surveys



# Planning for Retirement

## 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)

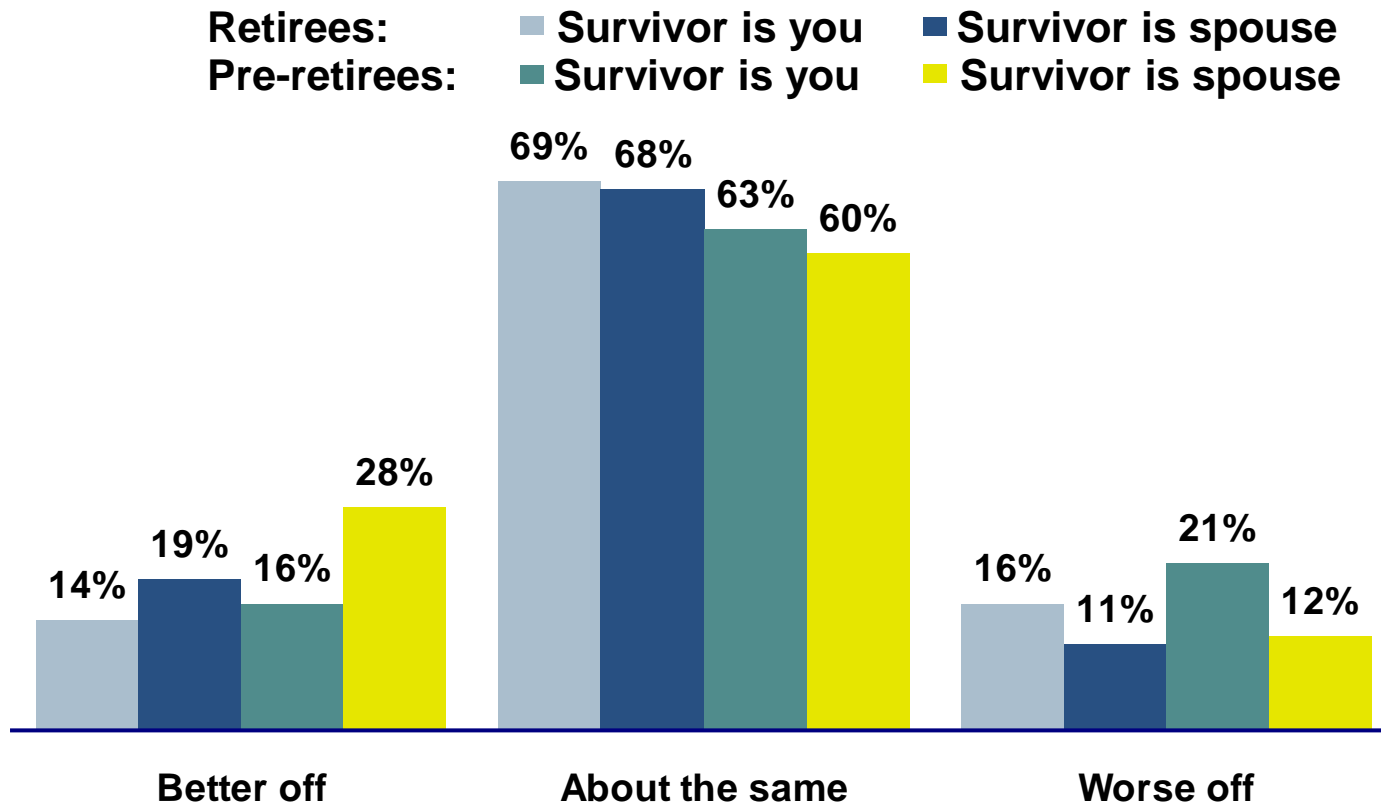
Top Mentions (multiple responses accepted)	Retirees (%) (n=330)	Pre-retirees (%) (n=353)
Save (more) money	16	37
Invest to make assets last	15	19
Buy long-term care insurance	11	8
Make home modifications	6	4
Cut back on spending	6	4
Stay healthy/improve health	4	4
Pay off debts	2	5
Nothing	28	15
Don't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

Source: Society of Actuaries, 2007 Risks and Process of Retirement Survey

# Planning for Retirement

## 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)



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

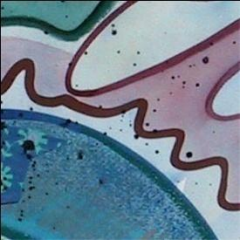
Important SOA Research about Retirement



# Conclusions and Future Insights

- Misperceptions still exist after 25+ years of experience with DC plans and IRAs
- Lot of stability in risk perceptions in spite of move away from DB plans
- Low appetite for guaranteed income products and persistent feeling that people can do it on their own
- Widows and very old will continue to be vulnerable
- Women's retirement security has changed slowly but not improved very much
- Working longer is very important for many people
- A strong retirement system must include programs that work for those who will not take the initiative
- Individual action will continue to grow in importance





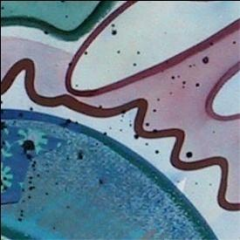
# For a better future

- Encourage more savings
  - Increase workplace focus on savings
  - Encourage modeling/use of tools
  - Improve levels of savings
- Focus on decisions near time of retirement
  - Social Security claiming
  - Working longer/retiring later
  - Some work during retirement
  - Making assets last a lifetime
  - Planning for widowhood
  - Remember long term care



# For SOA Research Reports and More Information

- All of the reports discussed are available on the Society of Actuaries website at:
  - <http://www.soa.org/research/research-projects/pension/research-post-retirement-needs-and-risks.aspx>
- For more information about SOA Research – contact SOA Research Actuary Steve Siegel at
  - 847-706-3578
  - [ssiegel@soa.org](mailto:ssiegel@soa.org)
- For information about the Post Retirement Needs and Risks Committee – contact Anna Rappaport, Chairman at [anna@annarappaport.com](mailto:anna@annarappaport.com)



# **Appendix I**

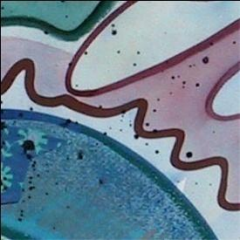
## **More Information about SOA Research**



# Overview of Research

## Bi-annual Survey Focused on Post-Retirement Risk Perceptions

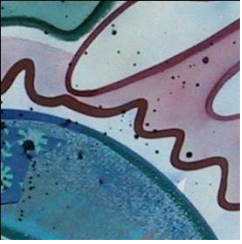
- Society of Actuaries Post Retirement Risk Surveys:
  - Every two years in U.S. since 2001
  - CIA conducted similar Canadian survey in 2010
- Core repeated questions
  - Importance of various risks
- Issues of focus in each survey
  - Working in retirement – 2005 and 2011
  - Longevity – 2005 and 2011
  - Impact of economic conditions/decline – 2009 and 2011
  - Women – 2005 and 2009
  - Phases of retirement – 2007
  - Health and long-term care – 2007
- Reports bring in other related research



# Overview of Research

## Other Areas of SOA Research Focus

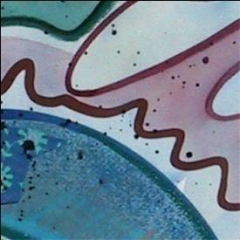
- Segmenting the Middle Market: Parts I and II
  - Updated to 2010 data
  - Insights from Financial Planners
- Running Out of Money in Retirement
- MetLife Family Structures
- Investing assets in retirement
  - Focus groups
  - On-line surveys in 2008, 2009, 2011
- Monographs and paper calls
- Misperceptions papers
- Projects under development:
  - Focus groups on Retirement Decisions
  - Paper on Retirement Income Solutions



# Overview of Research

## SOA Decision Briefs for Individuals

- Provides guidance for major retirement decisions
- Prepared by retirement professionals for individuals to use
- Eleven issue briefs written in everyday language
  - Big Question: When Should I Retire?
  - When Retirement Comes Too Soon
  - Women Take the Wheel: Destination Retirement
  - Deciding When to Claim Social Security
  - Designing a Monthly Paycheck for Retirement
  - Treating Asset Allocation Like a Roadmap
  - Securing Health Insurance for the Retirement Journey
  - Taking the Long-Term Care Journey
  - Where to Live in Retirement
  - Estate Planning: Preparing for End of Life
  - Finding Trustworthy Financial Advice for Retirement and Avoiding Pitfalls



# **Appendix II**

## **More Data and Supplemental Information**



# Americans in Retirement

## What changes by age: Median total income and reliance on Social Security

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

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

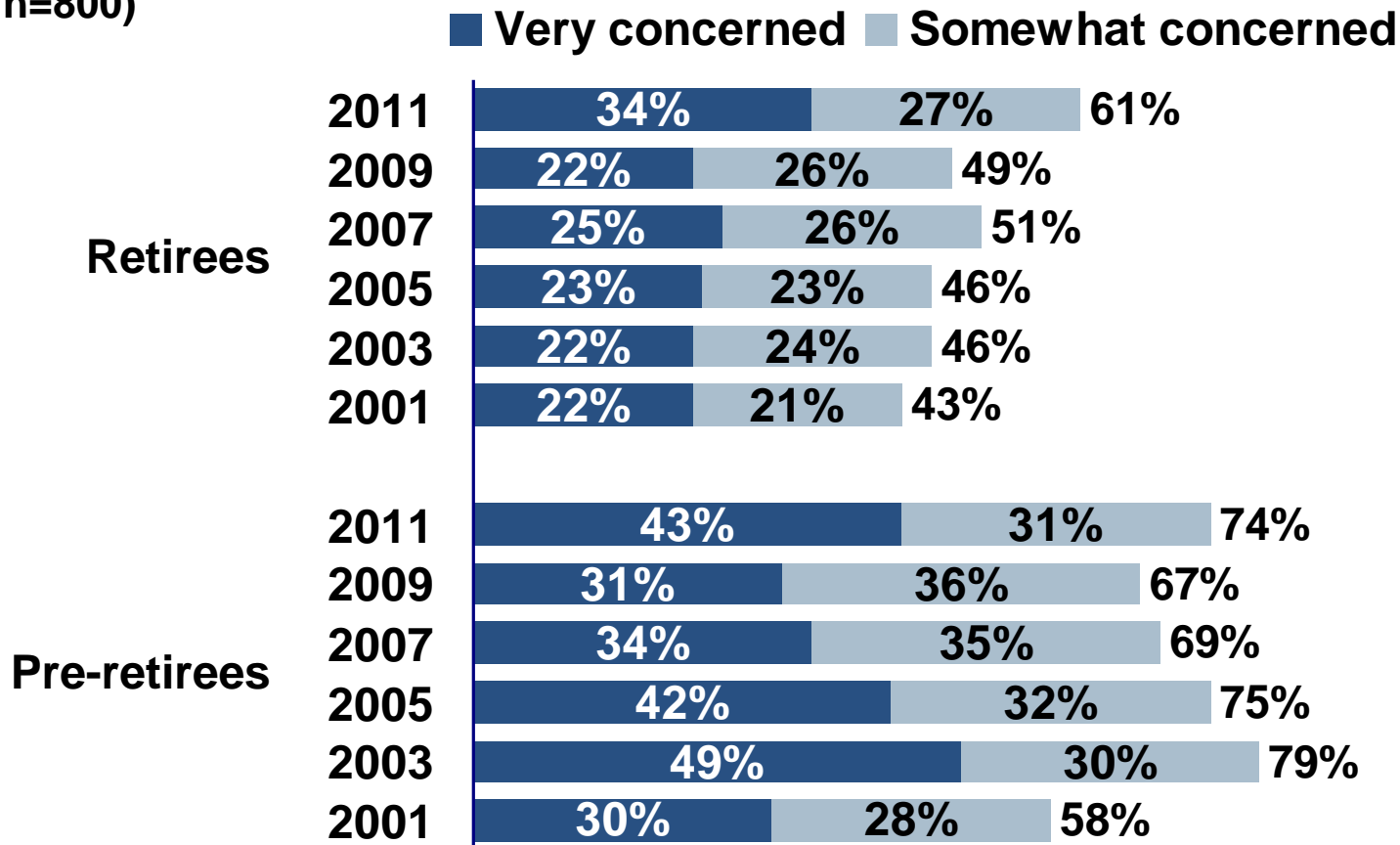




# Post Retirement Risk Concerns

## Retiree concern about health risk increased in 2011

How concerned are you that you might not have enough money to pay for adequate health care (in retirement)? (Retirees, 2011 n=800; Pre-retirees, 2011 n=800)



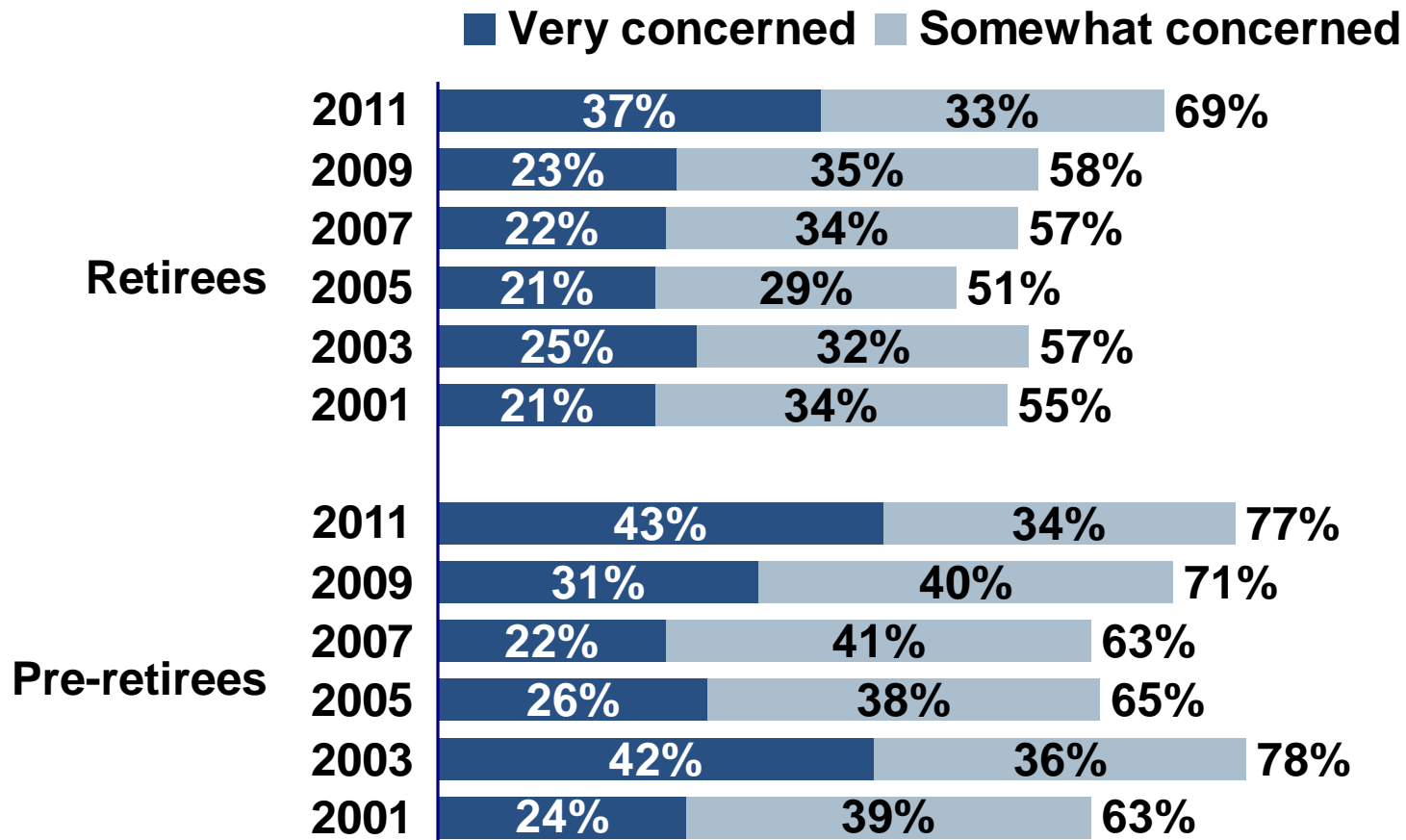
Source: Society of Actuaries, 2001-2011 Risks and Process of Retirement Surveys



# Post Retirement Risk Concerns

## Retiree concern about inflation risk is up in 2011

How concerned are you that the value of your savings and investments might not keep up with inflation (in retirement)?



Source: Society of Actuaries, 2001-2011 Risks and Process of Retirement Surveys



# How and When We Retire

- Retirement ages gradually increasing
- Evolving thinking about the life cycle: third age – period of easing into retirement
- Gap between retiree action/pre-retiree expectation
- Many retire involuntarily
- Disability: key issue in thinking about this
- Big question: how will retirement patterns change



# How and When We Retire

## Pre-retirees expect to retire later than retirees

At what age did/do you expect to retire from your primary occupation?  
(Retirees retired from primary occupation, 2011 n=765; Pre-retirees  
expecting to retire, 2011 n=498)

Age category	2009 Retirees (%)	2011 Retirees (%)	2009 Pre-retirees (%)	2011 Pre-retirees (%)
Under 55	28	31	1	1
55 to 61	33	30	24	21
62 to 64	20	21	16	16
65 to 67	12	12	35	38
68 or older	4	4	16	17
Don't know	2	2	8	7

Source: Society of Actuaries, 2009-2011 Risks and Process of Retirement Survey