How Americans Are Managing Postretirement Risk and What Employers Should Do to Respond

The Society of Actuaries’ 2013 Post-Retirement Risk Survey, the seventh survey in the series, provides a general view of how the public perceives postretirement risks as well as an in-depth look at personal risk management strategies. This article draws on the cumulative research from the series, as well as other sources, to discuss personal risk management perspectives, the specific strategies individuals use to manage risk and how financial shocks can derail retirement if plans do not take such possibilities into account. The author discusses research on how and when people retire, planning for the death of a spouse or partner, housing and roles for employers, individuals and financial advisors.

by Anna M. Rappaport | Anna Rappaport Consulting

Success in retirement depends on a combination of accumulating enough resources and then using them appropriately in retirement. The period of building resources typically occurs during active employment, and the period of using resources usually occurs after retirement, with limited or no employment. Historically, much of the emphasis of retirement planning was on building resources, and today it is still mostly focused on that aspect of planning. While most employers offer some form of retirement program for resource accumulation, a key question for employers today is how much to be involved with the postretirement period and what form their involvement should take. This article presents research, questions for employers and some ideas for involvement. The research focuses on individuals and how they react to and deal with postretirement risks.

The Society of Actuaries (SOA) has been researching the postretirement period for more than 15 years and initiated a biennial series of surveys on postretirement risks in 2001. The 2013 survey is the seventh survey in the series. This article draws on the cumulative research from this program as well as other sources.

SOA’s 2013 Post-Retirement Risk Survey provides a general view of how postretirement risks are perceived as well as an in-depth look at personal risk management strategies. The survey was preceded by a series of focus groups that
provided new insights into how people are retiring and exiting the workforce. This article provides important results from the survey and focus groups, plus additional information related to the postretirement period. The topics to be covered include the research itself and the implications for employers with regard to their benefit programs and benefit educational efforts. Research topics include post-retirement risk management strategies, why and how people retire, planning horizons, planning for widowhood, risks of greatest concern and housing and retirement.

Questions for Employers

As we think about these research results, there are several important questions for employers to consider:

- What is our responsibility for helping employees with the postretirement period?
- How much do we want to be involved in helping employees prepare for the postretirement period?
- How much are we willing to help during the post-retirement period?
- Does supporting employees during the postretirement period create value for our organization?
- Does supporting the postretirement period create risks for our organization?
- What other benefits will we continue to support after retirement—health benefits, life insurance, long-term care insurance?
- Should we provide financial planning education and tools to employees? To retirees? If yes, what should be included?
- Should we provide financial planning advice to employees? To retirees? If yes, how extensive should the service be? Will we offer to all? Will we subsidize the cost?
- Should we use our purchasing power to help employees secure financial products at better rates?
- Should we help employees implement a paycheck replacement program within their defined contribution (DC) plans? If so, how?
- Should we consider support for the postretirement period when we select vendors to support our benefit plans?

Using the Research Information

The complete survey and focus group reports can be found at www.soa.org/research/research-projects/pension/research-post-retirement-needs-and-risks.aspx. A number of highlight reports that examine particular areas of emphasis will be released throughout 2014 and made available on the SOA website. The survey and focus group results were presented at the 2013 SOA annual meeting and in a recent webcast. A complete PowerPoint presentation summarizing the results with pertinent commentary is also available for downloading from the SOA website.

The results demonstrate that many workers and retirees need help in understanding and managing the risks associated with the postretirement period, thereby justifying an investment by employers to offer support in that regard. The findings also reveal the need for more planning and better use of planning tools (although not specifically weighing in on whether or not planning tools are adequate) to handle the postretirement period. More suggestions are provided in the article.

- Do misperceptions and differences between what preretirees expect and what actually happens to retirees suggest that it is important to do something?

Summary of Research Findings: Important Perspectives on Personal Risk Management

The 2013 and prior risk surveys, the focus groups and additional SOA research offer several important perspectives relevant to personal risk management and public knowledge:

- The retirement risk management strategies used most often by average Americans are to reduce spending, save more and reduce debt. These strategies have appeared repeatedly in these surveys and are consistent with what is found in other research.
- Financial products for risk protection are not used as a major part of the retirement plan for many retirees. There are also some issues with regard to expectations. For example, preretirees and retirees report
that they expect long-term care or other insurance to be a substantial source of potential support for widows (47% of preretirees and 41% of retirees report it as very or somewhat likely to be provided); however, only 4% of widows report that they have such support.

- Planning horizons are relatively short, often averaging about ten years. For most people, this is much shorter than the rest of their life. In addition, a common way to deal with financial shocks, as cited in the focus groups, is not to address them until they happen.
- Planning tends to be relatively short-term and focused on cash flow. A major method of adjusting to change is to adjust spending to match income.
- Many retirees seek to maintain their assets for emergencies rather than having a systematic plan for spending assets down. Participants in the recent focus groups generally were trying to maintain asset levels. The asset levels then provide a cushion for dealing with financial shocks. There is an attitude reflected in the focus groups of dealing with things as they happen rather than planning for them in advance.
- There are several areas where the expectations of preretirees are different from the actual experience of retirees. There are also areas where the experiences of widows are different from the expectations of couples. Examples include ages at retirement, expectations about working in retirement and sources of help for widows.
- Retirement timing is a major decision affecting one’s well-being in retirement. However, as shown in the recent focus groups, many voluntary retirees felt “pushed” into retirement earlier than they had planned to retire. It is no surprise that retirees in the 2013 risk survey retired at a median age of 58 compared with the median age of 65 at which preretirees expected to retire. It was unclear to what extent the retirees who felt pushed would have continued to work longer if they had had better workplace circumstances and options. SOA research also shows gaps in knowledge about the financial implications of retiring later.
- Deferring the age at which Social Security is claimed and retiring later have been identified by retirement experts, including actuaries and financial planners, as very important strategies for addressing longevity risks.
- Relatively few individuals choose to claim Social Security at later ages. It is unclear how many people are aware of the potential implications of claiming at different ages. Other research shows significant misunderstandings of Social Security benefits. Use of financial planners was limited among survey and focus group respondents. Many of the respondents have relatively low financial assets and would not fit into the target market of many financial planners, and they also would not have resources to pay them.
- Although the value of housing is a major part of the assets of many retirees, for most retirees, spending down housing values is not part of their retirement strategy. Many retirees have paid off or seek to pay off their mortgages. In the 2013 risk survey, one-third of retiree respondents still owed money on a mortgage. (Some retirees, however, may have already downsized their housing. The survey does not explore whether people had previously downsized housing.)
- Top risk concerns throughout the risk survey series have consistently remained inflation, health and long-term care risks. The ranking has shifted from time to time, and preretirees have consistently been more concerned than retirees. The 2013 survey does not offer new insights in this regard.

Findings—Postretirement Risk Management Strategies

Risk management in retirement is one of the important areas of repeated emphasis in the risk survey series. The 2013 survey included not only questions similar to the prior surveys but also new, expanded risk management questions. As in previous risk surveys, both preretirees and retirees tend to focus on strategies of saving and spending
to manage the risks associated with retirement. Almost all preretirees (95%) and retirees (92%) report that they have already eliminated or plan to eliminate all of their consumer debt. Nine in ten preretirees (93%) and eight in ten retirees (81%) say they already have saved or plan to save as much as they can, while similar proportions have already cut back or plan to cut back on spending.

Preretirees and retirees are much less likely to turn to risk-pooling strategies (other than health insurance) to manage retirement risks. Half of preretirees (52%) and one-quarter of retirees (23%) indicate they plan to postpone or have already postponed taking Social Security. Roughly one-third each reported buying an annuity or choosing an annuity option from an employer plan. The general risk management questions have been asked throughout the survey series. The earlier survey responses are generally similar to the current responses. Debt management, cutting expenses and saving more are leading strategies. Buying financial products, except for supplemental health insurance, is far behind.

Both the survey and focus groups offered insights into plans for spending down assets during retirement. The majority of both retirees and preretirees plan to maintain or grow their assets in retirement (Table I).

The focus groups provided responses indicating that some respondents would deal with things as they happened. In contrast, both retirees and preretirees reported in the risk survey that even though their planning horizon was short, they try to plan for the future. The 2013 risk survey also included a new question to find out how respondents would react if they were running out of money. Reducing expenditures significantly was the top result, with retirees (90%) and preretirees (88%) indicating that they would do this.

Work was a major area of focus, with preretirees (76%) and retirees (45%) indicating that they would either try to return to work or increase the number of hours they were working. Downsizing housing was also a major area of focus, with preretirees (74%) and retirees (63%) choosing this option. Housing is a major area of expenditure, but some may already have downsized. These responses were in sharp contrast to the number who indicated that they would get help from family members, friends or community agencies. The vast majority did not expect to get such help. Less than 30% expected to get help from children or family members, and an even smaller group expected to get help from friends or community agencies.

---

**Focus Group Insights**

The focus groups provided insights into risk and financial management during retirement.

The focus group researcher reported this observation: “The participants were asked if, as they decided to retire, they considered some of the things that could occur and affect them in the retirement period. A fairly common viewpoint is that it is not worthwhile to consider unpredictable events because nothing can be done about them: It is better just to live one’s life.”

Individual comments bring life to the research. The focus group participants offered these individual insights:

“You can worry about it but you can’t do anything about it. So they’re all uncontrollable.” —Male, Chicago, Illinois

“I just paid everything off before I retired. I didn’t have any credit cards, no mortgage, nothing, no car payments. I knew I could afford it. My wife still worked. She worked a few years longer than me.” —Male, Phoenix, Arizona

“I was basically the same way, have all the bills and everything paid off. I just tried to figure out if your house taxes or property taxes went up so much a year, how long would your money last you? Things like that. Things you had to pay that you weren’t going to get out of. That kind of helped me make a decision as to how much I could spend.” —Male, Phoenix, Arizona

“You have to know what’s coming in and what’s going out.” —Female, Chicago, Illinois
This is very different from expectations about help after widowhood, when family and friends are more important.

The risk survey also explored what types of things people felt they could plan for (Table II). This was a new area of exploration in 2013.

The two studies together also make it clear that much of the planning is relatively short-term and cash flow-focused. The focus groups reinforced the extent to which planning is based on analyzing current income and expenses and bringing them into balance. Participants adjusted expenses and showed flexibility in doing so. The risk survey focused on planning horizons. In the 2013 survey, both preretirees and retirees reported that they try to plan for the future. In the 2013 survey, both preretirees and retirees described their attitude about managing finances in retirement as “planning-oriented.” Roughly half of preretirees and retirees (46% for each) say they try to plan for the things they know are likely to happen in the future. Similarly, about two in five of each group (43% of preretirees and 41% of retirees) try to plan for as many possibilities as they can.

The risk survey also explored whether the respondents consulted with a financial advisor or planner. Less than half of preretirees (48%) and just over half of retirees (55%) reported that they had consulted with a planner or advisor who helped them make retirement decisions. The number of respondents who regularly consult with a planner or advisor was even smaller (13% of preretirees and 25% of retirees).

The risk management findings provide insights into planning and support for planning. They show planning to be heavily cash flow-focused and not to include very much risk management. More than half of the survey respondents do not use financial advisors. They indicate the need for support for planning with information, tools and advice. They also tell us that structuring programs to be effective without requiring employee decisions is very desirable.

### Table I

<table>
<thead>
<tr>
<th>Plans to Manage Financial Assets in Retirement</th>
<th>Preretirees</th>
<th>Retirees</th>
</tr>
</thead>
<tbody>
<tr>
<td>You plan to grow your financial assets by saving more money or not withdrawing savings.</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>You plan to maintain your financial assets by withdrawing only earnings and leaving the principal intact.</td>
<td>36%</td>
<td>43%</td>
</tr>
<tr>
<td>You plan to spend down your financial assets.</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>You have no plan for managing your financial assets.</td>
<td>20%</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Related Research—Considering Financial Shocks**

Related research shows that financial shocks, such as a serious illness or disability, have a dramatic impact and can derail a plan developed without taking them into account. The survey and focus group results combined indicate that for many people, planning is focused on cash flow and about using regular income to cover the expected expenses and not focused on preparing for the unexpected, particularly shocks. Shocks are a major reason for people not doing well in retirement. An SOA research paper by Vickie Bajtelismit, Anna Rappaport and LeAndra Foster, *Improving Retirement Outcomes: Timing, Phasing and Benefit Claiming Choices*, examines a variety of scenarios for retirement and
combines them with different expense scenarios. The study builds on a prior study that also examined different scenarios with regard to risk management. The two studies use stochastic modeling and together show that:

- Averages are not a good basis for planning. There is a huge difference between the forecasted wealth needed for retirement success at the 50th and the 90th percentile and a large additional difference between the 90th and the 95th. These differences are largely shock-driven, and the specific amounts of the differences are highly sensitive to model assumptions and model construction.

- Factors driving the median values include retirement age, pension amounts, asset levels, Social Security claiming, levels of expense reduction and retirement phasing. These factors do not materially change the distributions.

- Factors driving the “tails” of the distribution include the cost of long-term care, major health shocks and investment returns. Risk management strategies, such as buying annuities and long-term care insurance, can have a big influence for those who live long or who need the benefit. Such insurance is not affordable for many average families. These strategies do not improve the median situation since those who do not need the benefit of the insurance have paid for it. However, they can make a big difference for those who experience the shock.

When the survey and the focus groups from the Improving Retirement Outcomes study are considered together, it is very clear that shocks can have a large impact on retirement plans. Employers should consider this research as they decide what benefits they provide, what products they offer for voluntary purchase and what content they wish to include in education and advice. It also gives a very good perspective to evaluate retirement planning advice, software and tools and, if nothing else, it implies that disclosures about what is not covered can be very important.

**Findings—How and When We Retire**

A consistent finding in the last few risk surveys is that retirees surveyed retired at a considerably earlier age than the age at which preretirees expect to retire. The difference in the 2013 risk survey was dramatic. The median age of retirement for retirees was 58 compared with an expected median age of retirement of 65 for preretirees. The EBRI Retirement Confidence Studies have consistently documented that 40-50% of retirements were involuntary. The SOA’s focus group study, however, provided

---

**TABLE II**

Perception of Whether Things Can Be Planned for in Retirement

<table>
<thead>
<tr>
<th>How possible do you think it is to plan for the following (in retirement)?</th>
<th>Preretirees Very possible</th>
<th>Preretirees Somewhat possible</th>
<th>Retirees Very possible</th>
<th>Retirees Somewhat possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day-to-day expenses (food, clothing, utilities, etc.)</td>
<td>45%</td>
<td>45%</td>
<td>58%</td>
<td>35%</td>
</tr>
<tr>
<td>Changes in your finances resulting from the death of a spouse/partner</td>
<td>27%</td>
<td>54%</td>
<td>35%</td>
<td>46%</td>
</tr>
<tr>
<td>Expenses associated with living longer than you expected</td>
<td>18%</td>
<td>56%</td>
<td>25%</td>
<td>54%</td>
</tr>
<tr>
<td>Health care expenses</td>
<td>22%</td>
<td>49%</td>
<td>33%</td>
<td>47%</td>
</tr>
<tr>
<td>Long-term care expenses</td>
<td>19%</td>
<td>49%</td>
<td>27%</td>
<td>45%</td>
</tr>
<tr>
<td>Financial assistance you provide to others</td>
<td>14%</td>
<td>38%</td>
<td>15%</td>
<td>31%</td>
</tr>
</tbody>
</table>
an eyeopening new insight into this discussion: Many of the so-called voluntary retirements were in fact "pushed." It seems that the proportion of retirements that are truly voluntary and not pushed is very small indeed.

The forces leading to retirement included a job becoming too difficult, an unpleasant work environment, health issues, financial incentives and family demands, including the need for caregiving.

The findings did not indicate that the individuals who were having job difficulties made large efforts to resolve them. In my view, there are probably a significant number of situations in which people could continue to work longer if there were other job options or greater efforts to resolve job difficulties. Employers could help in this area. Retiring later can improve the financial outlook in retirement for individuals who have limited resources for several reasons: fewer years that the funds are needed, more years to earn pension credit and investment earnings and more years of coverage under employer health benefits. In earlier risk surveys, respondents were asked about the impact on their retirement security of retiring three years later. They were very aware of the value of three more years of health benefits, but many seemed otherwise unaware of the overall economic value of retiring later. Employers can help by providing tools and information to help people evaluate the value of retiring later.

There were two related areas in which there was a difference in expectations of preretirees and the experience of retirees. Many more preretirees expect to work during retirement than the percentage of retirees who actually do work in retirement. In addition, there was a huge disconnect between preretiree plans to postpone Social Security (52% said they intended to do so) and those retirees (23%) who actually did. Postponing from the age of 62 to the age of 70 results in as much as a 75% higher Social Security monthly benefit for those able to defer for those eight years. Deferring can also have an impact on benefits for spouses and widows.

Findings—Planning for the Death of a Spouse or Partner

Prior risk surveys indicated that many people underestimated the consequences of a spouse’s death. The 2013 risk survey explored issues surround-
TABLE III

Planning for Issues Following the Death of a Spouse

To what extent have you and your spouse/partner planned for the following issues that often arise in retirement after the first person dies?

<table>
<thead>
<tr>
<th>Sources of assistance</th>
<th>Preretirees</th>
<th>Retirees</th>
<th>Retired Widows</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate assets and income</td>
<td>62%</td>
<td>79%</td>
<td>62%</td>
</tr>
<tr>
<td>Ability to manage day-to-day finances</td>
<td>52%</td>
<td>73%</td>
<td>66%</td>
</tr>
<tr>
<td>Adequate, affordable and manageable housing</td>
<td>50%</td>
<td>68%</td>
<td>59%</td>
</tr>
<tr>
<td>Availability of family and friends</td>
<td>45%</td>
<td>63%</td>
<td>54%</td>
</tr>
<tr>
<td>Investment management and estate planning issues</td>
<td>44%</td>
<td>63%</td>
<td>49%</td>
</tr>
<tr>
<td>Health and long-term care coverage</td>
<td>42%</td>
<td>60%</td>
<td>46%</td>
</tr>
<tr>
<td>Access to activities of interest</td>
<td>37%</td>
<td>49%</td>
<td>39%</td>
</tr>
<tr>
<td>Access to transportation</td>
<td>30%</td>
<td>48%</td>
<td>40%</td>
</tr>
<tr>
<td>Access to physical and emotional help</td>
<td>40%</td>
<td>46%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Note: Question asked of married or widowed individuals.

TABLE IV

Anticipated vs. Perceived Forms of Assistance After Death of Spouse or Partner

<table>
<thead>
<tr>
<th>Sources of assistance</th>
<th>Preretirees</th>
<th>Retirees</th>
<th>Retired Widows</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate assets and income</td>
<td>74%</td>
<td>70%</td>
<td>61%</td>
</tr>
<tr>
<td>Ability to manage day-to-day finances</td>
<td>54%</td>
<td>52%</td>
<td>47%</td>
</tr>
<tr>
<td>Adequate, affordable and manageable housing</td>
<td>43%</td>
<td>41%</td>
<td>22%</td>
</tr>
<tr>
<td>Availability of family and friends</td>
<td>40%</td>
<td>45%</td>
<td>8%</td>
</tr>
<tr>
<td>Investment management and estate planning issues</td>
<td>47%</td>
<td>41%</td>
<td>4%</td>
</tr>
<tr>
<td>Health and long-term care coverage</td>
<td>38%</td>
<td>40%</td>
<td>2%</td>
</tr>
<tr>
<td>Access to physical and emotional help</td>
<td>None of these</td>
<td>32%</td>
<td></td>
</tr>
</tbody>
</table>

Question to married preretirees and retirees: Should you or your spouse die, how likely do you think the surviving spouse would be to turn to the following sources of assistance and support (financial and nonfinancial)?

Question to widows: Which of the following sources of assistance and support (financial and nonfinancial) have you turned to since your spouse died?
Additional Resources

There are a variety of resources from neutral third-party sources. These are a few examples:

The SOA’s Managing Retirement Decisions series provides 11 decision briefs designed to help individuals and advisors think through the range of issues to be considered when making retirement decisions. The briefs are suitable for giving to or recommending to employees. They offer information about options, pros and cons and help the users identify issues they might not have thought about. They can be particularly valuable since there are so many different complex and interwoven issues to be considered. The briefs can be found at www.soa.org/managing-retirement/.

Another good resource for employees is the Department of Labor’s “Taking the Mystery Out of Retirement Planning” (www.dol.gov/ebsa/publications/nearretirement.html), which includes interactive worksheets. A print version is available.

The Women’s Institute for a Secure Retirement (WISER) and the Actuarial Foundation partnered on two important publications: Seven Life-Defining Financial Decisions (www.actuarialfoundation.org/publications/wiser051503.shtml) and Making Your Money Last a Lifetime (www.actuarialfoundation.org/publications/wiser_annuities.shtml).

Findings—Thinking About Housing

Housing is a major asset for many families. The 2013 risk survey included new questions with regard to plans for housing and what factors would make people more interested in moving. For middle-income and mass-middle-income American families nearing retirement, nonfinancial assets are significantly greater than financial assets on average. The SOA’s study series, Segmenting the Middle Market Retirement: Risks and Solutions, documents this for middle-market and middle-affluent couples and single households. Preretirees and retirees who own their home most often say they want to keep their home because it is comfortable and familiar, but approximately six in ten think it is at least somewhat important to keep their home so they can use it as an emergency fund, if necessary (62% of preretirees and 58% of retirees). Less than half say it is at least somewhat important to keep their home for an inheritance to their children or other family members (46% and 48%).

While employers will not expect to get directly involved with housing, there are a number of issues that might be included in employer-provided retirement education or that employers may wish to point employees in the direction of. Given that housing is such a major part of assets, there is a need to better define the options for integrating housing into retirement planning. Greater recognition is also needed that housing values can rise and fall and that housing is an illiquid asset. Housing can be integrated with care and support services. Specialized housing often offers some support services. However, the vast majority of retirees live in their own homes.

The risk survey results showed that more than one-third of the retiree respondents still carry mortgage debt, and a third of them have no plan as to when it will be paid off. Another third expect to pay off that debt, but not until after the age of 70.

There are several issues with which individuals need help in connection with housing, mortgages and housing finance. Some of the questions to be answered are:
• If I view my house as an emergency fund, what steps do I need to take to access the money?
• How do I decide if I should pay off my mortgage?
• Should I take a reverse mortgage? How do I decide which one to use? What information do I need? What questions should I ask?
• Should I move into specialized senior housing such as a continuing care retirement community? Should I move closer to my family or friends? How do I evaluate the risks and costs involved in these decisions?

An employer can provide valuable help by pointing people to resources to deal with these types of questions or by providing information or tools to help evaluate their situation.

Roles for Employers
Employers can choose to play a range of roles with regard to postretirement risks. At one end of the spectrum are companies with traditional final average pay defined benefit (DB) plans that pay benefits as a lifetime income and that provide retiree health coverage. This approach addresses many of the career employee’s retirement risks effectively. At the other extreme, employers can choose to not provide any postretirement benefits (pension or health) or to simply pay retirement benefits in a lump sum and provide little or no information about the postretirement period. Organizations with substantial turnover and a primary focus on remaining competitive may take the position that their interest in being involved with benefits ends at the door when people leave employment. The counterargument to that position is that the retirement savings program is not effective if benefits are not used well in retirement. A fundamental place to start is to ask what the roles should be with respect to supporting the postretirement period.

Potential roles that employers can play include the following:

Providing Information, Tools and Advice for the Postretirement Period:
• Create a culture focused on the importance of longer term planning, paycheck replacement and risk management during retirement.
• Provide illustrations during working years that include a focus on later years and probably include illustrations showing paycheck replacement.
• Offer education with regard to payout and risk protection options and considerations—both before retirement and at time of retirement.
• Provide strong statements of pros and cons at decision points.
• Help employees understand the issues around Social Security claiming and the implications of retiring at different points in time.
• Help employees understand retirement readiness and how it applies to them.
• Offer advice either through an advice service or by hiring advisors to work individually with employees.
• Provide retirement planning software.
• Provide insights into the potential challenges related to long-term care and widowhood and potential solutions.

Structuring Benefit Plans:
• Offer a DB plan and/or a DC plan and/or retiree health insurance.
• Offer some continued life insurance after retirement.
• Use plan design to encourage people to save more.
• Use effective default options.
• Offer in-plan income options: Lifetime income can be offered through a competitive purchasing platform or through choice of a single insurance company.
• If a DB plan is offered, permit rollover of DC balances to the DB plan so they can easily be converted into lifetime income.
• Permit employees to leave their funds in the plan post-retirement and offer investment options and/or managed accounts and installment payouts; investment options that work well preretirement may not work well postretirement, and vice versa.

Helping Employees Access the Market on a Favorable Basis:
• Serve as purchasing agent: Offer access to products like long-term care insurance and income options for
The DC plan and secure a good deal for employees. Use of a competitive purchasing platform can improve the deal in many situations.

Using Plan Administration and Vendors for Support:

- Ensure that the plan administration providers understand the employer’s philosophy and are supporting it in implementation.

These roles are not mutually exclusive. An employer may choose to implement several of these steps to work together. The employer will want to consider the issues their employees are facing as they decide how to respond to them.

Insights About Individual Situations and Solutions

As employers define their strategies, there are a number of things to think about with regard to the situations individuals face and the solutions that make sense. For the more than half of employees who do not have personal advisors, the employer may be a very important and trusted source of information. While there are many information sources available on the Internet and through other sources, it is difficult for individuals to know what is credible. Some information sources are clearly influenced by different points of view and financial interests. Therefore, the employer is particularly important in this regard. The issues below are very important for communications and

APPENDIX

Researcher and Methodology

The study and the six prior studies were conducted on the SOA’s behalf by Mathew Greenwald and Associates, Inc. The 2013 study was conducted through an online survey instrument, and the prior six studies were conducted by telephone interviews. The survey was preceded earlier in 2013 by a series of eight focus groups, which probed participants on their decision process for retiring and their views on managing assets after retirement.

As part of the survey, 2,000 adults ages 45 to 80 (1,000 retirees and 1,000 preretirees) were interviewed in August 2013. An additional 200 interviews were conducted among retired widows. Individuals were selected for participation using Research Now’s nationwide online consumer panel. The panel was selected after consultation with the research firm. Two cautions are needed in working with the 2013 results: Although some of the questions are very similar to prior questions, comparisons of direct numerical results should be avoided since the methodology affects responses somewhat and samples are not random with online surveys.

Survey responses from current retirees and those not yet retired (referred to in these reports as preretirees) are analyzed separately. No effort has been made to oversample individuals with high levels of assets, and results do not provide specific insights concerning high-net-worth individuals. Only 5% of preretirees and 12% of retirees report having investable assets of $1 million or more.

The focus groups preceded the survey and helped inform the questions. The series of eight focus groups was conducted in May 2013 in four locations: Baltimore, Maryland; Chattanooga, Tennessee; Chicago, Illinois; and Phoenix, Arizona.

The study was designed specifically to examine those who were not forced to retire because of ill health or disability but who voluntarily decided to retire. The topics examined focused on the decision to retire and participants’ views on managing their assets after retirement.

The research was limited to retirees who have some assets but also some financial constraints. All of the participants in the focus groups have between $50,000 and $400,000 of investable assets. None has income exceeding $2,500 a month from rental properties and defined benefit plans. That restriction allows the research to focus on people with some financial constraints; the participants had a more financially complex decision about retirement than people with considerably higher investable assets or guaranteed retirement income. Groups were separated by asset level and by gender.
education, benefit structures and deciding what types of advice to offer.

- Holistic thinking is critical. One gets to different answers when considering issues that incorporate decisions on financial and nonfinancial matters on an integrated versus individual basis.
- Many households have limited assets. Education on investment management does not address some of their most critical issues, which include retirement timing, Social Security claiming and managing expenses.
- There are very important decisions that must be made with regard to retirement. For most households with limited financial resources, these decisions involve trade-offs. It appears likely that the individuals making decisions often may not understand the options or be in a position to evaluate the trade-offs. There is an added complexity when some types of options are available through their employer programs and others are not, or when people have retirement resources that are linked to multiple jobs. Employers offering support need to focus on which decisions they help people with.
- Some decisions are generally irrevocable, such as electing the form of income stream (e.g., life annuity versus joint and last survivor) under a DB plan payout, whereas others are not. Some must be made at a specific time, whereas there is flexibility with regard to timing for other decisions.
- Shocks can have a huge impact when they occur, but too many personal plans do not take them into account. Plans that are based on only the expected occurring are often derailed.
- Most people do not have enough money for their preferred solutions. Many do not have sufficient assets to last their lifetime.
- On many of the issues facing retirees, there is no consensus among the professional retirement community about the right answers. People considering income in retirement may not even be aware of the myriad of options available.
- As with most plans, the earlier they are made and the more thoroughly thought out they are in preparation for retirement, the more effective the solutions are likely to be and the greater will be the range of options available. Anticipation of and good planning for retirement often make the difference between living one's senior years well and merely coping with a survival strategy.
- Retirement strategies should be revisited periodically even after retirement to make sure that they are still meeting the individual's needs. In particular, consideration should be given to strategies that don't require attention once cognitive abilities begin to decline, such as immediate annuities or investments combined with longevity annuities.

Who Can Use This Research and How?

Several groups can apply the findings of this research in different ways:

- Employers are a major source of benefits and education about retirement. Both the survey and focus groups provide insights that will be helpful both in structuring benefits and in providing education to employees. It is clear that employers can maximize the effectiveness of their retirement programs through not only plan design but also targeted communication.
- In addition, employers need to deal with the aging workforce and expected retirements and integrate their retirement programs with their workforce management initiatives. The focus groups demonstrate there are many issues in the workplace that create opportunities for improvement. Phased retirement is an area for expansion of employer initiatives and will be good for many individuals and for businesses. The Improving Retirement Outcomes: Timing, Phasing and Benefit Claiming Choices research discussed above includes many examples of phased retirement programs as well as the analysis of its value.
- Individuals planning for their own retirement can get an idea of what their needs might be and where gaps in knowledge are likely. This research demonstrates the need for people to take steps to prepare them-
selves for retirement and to be careful about the timing of retirement.

- Financial advisors can help their clients plan for retirement, including managing risk, as well as planning and preparing for working longer, saving more, claiming benefits and evaluating different retirement ages. Advisors and their organizations can offer programs packaged for employers.

- Financial services companies providing products and services to support retirement can better develop products to support individuals and financial advisors.

- Public policy makers can gain insights into how government efforts can support and encourage public education and better programs for risk management, working longer, financial education, phased retirement and more thoughtful Social Security claiming.

Conclusions

The research on public knowledge and perceptions about postretirement risks shows a lot of consistency over time and that significant gaps in knowledge still exist. A benefit structure where employees assume greater responsibility for their retirement security leaves many people in a vulnerable position. Employers can help in a variety of ways—through the structure of their programs, through education, tools and advice and through access to the marketplace. The research findings can help employers target and refine their efforts.

References


