SOCIETY OF ACTUARIES

KEY FINDINGS AND ISSUES: Understanding and Managing the Risks of Retirement

>> March 2012

2011 RISKS AND PROCESS OF RETIREMENT SURVEY REPORT

Actuaries
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Introduction and Background

FOR MORE THAN 15 YEARS, the Society of Actuaries (SOA) has focused on the study of post-retirement risks and how they are managed. The 2011 Risks and Process of Retirement Survey is the sixth biennial study of public perceptions related to such risks conducted on the SOA's behalf by Mathew Greenwald and Associates, Inc. and the Employee Benefit Research Institute (EBRI). The survey was conducted during a period of reduced housing values, persistent and high unemployment, substantial volatility in equity markets, and concerns about public policy, the federal deficit and programs for supporting retirement. This report provides the major results of risk perception from the study, puts them into context in the current environment, and compares them to earlier studies. The 2011 study also includes several areas for special emphasis. Additional reports are planned covering working in retirement, knowledge about longevity and its management, and the impact of economic conditions on retirement planning.

The 2011 Risks and Process of Retirement Survey asked respondents about a number of risks relating to retirement. Their preponderant concerns related to keeping the value of investments up with inflation, income varying as a result of changes in interest rates, the affordability of health care and long-term care, outliving assets, and maintaining a reasonable standard of living. In several areas, Americans' concerns increased from 2009. This report provides an overview of these post-retirement risks, how they are perceived, and ways Americans use to protect against them. It presents key findings on the major retirement risks explored in the 2011 survey and provides context for the results in relation to other studies.

The survey is designed to evaluate Americans' awareness of retirement risk, how their awareness has changed over time, and how these perceptions affect the management of their finances. It was conducted through telephone interviews of 1,600 adults ages 45 to 80 (800 retirees; 800 pre-retirees—twice the sample number of prior surveys) in July 2011, before the most recent stock market volatility, U.S. debt downgrade and numerous federal interest rate announcements. Households were selected for participation from a nationwide targeted list sample. The margin of error for study results, at the 95 percent confidence level, is ± 4 percentage points for questions asked of all retirees or all pre-retirees.

Responses from current retirees, half of whom retired before age 60, and those not yet retired (referred to in these reports as "pre-retirees") are analyzed separately. The results are based on a representative sample of Americans and do not provide specific insights concerning high-net-worth individuals. Only 6 percent of retirees and 5 percent of pre-retirees report having $1 million or more in savings and investments, and 6 percent of retirees and 8 percent of pre-retirees report having between $500,000 and $1 million. Thirteen percent of retirees and 30 percent of pre-retirees indicate they have household incomes of at least $100,000. At the low end of the spectrum, 25 percent of retirees and 21 percent of pre-retirees indicate they have less than $25,000 in savings and investments, while 15 percent of retirees and 8 percent of pre-retirees report income under $25,000. (See the Profile of Survey Respondents for more details.)

To further the understanding of key issues as well as changes in perception of risk, this series of surveys includes new questions with each iteration, and not all questions are repeated from year to year. For a balanced perspective, the discussion sections in this report include input from all organizations that supported the studies and material from other related research.

Perspectives

THIS IS THE SIXTH BIENNIAL SURVEY of post-retirement risks sponsored by the Society of Actuaries. Since the first survey in 2001, major events have transpired and trends have developed that have profoundly affected the retirement process, making the surveys and the responses to them more important in providing insight to retirement system stakeholders.

- Employer-sponsored defined-benefit plans have continued to decline in prevalence, and more of these plans have been and are being frozen. While about half of all retired people today receive some income from defined-benefit plans, this number will decline in the future, making personal responsibility to manage retirement risk ever more critical.

- Equity markets have suffered two major declines already in the first decade of the 21st century and continue to be subject to increased volatility.

- Along with the most recent equity market decline, housing values have also suffered substantial losses, leaving some would-be retirees with little or none of the home equity they had planned on using, and in the worst cases with negative equity.

- The age at which Social Security benefits are claimed is receiving more recognition as an important factor in managing retirement security.

- A growing body of knowledge in financial literacy has documented concerns about Americans' inadequate math skills, their poor understanding of financial concepts such as compound interest, and their lack of basic comprehension of the functioning of investment markets.

Trends and developments such as these in society, the economy and financial markets make it more imperative than ever for individuals to accept responsibility for managing their retirement risks. At the same time, it is becoming increasingly clear how poorly prepared many individuals are for this responsibility.

Recognizing the challenge for employees who will depend increasingly on income from their defined-contribution plans, many plan sponsors have added default options which they believe will be extremely important in ensuring successful retirement outcomes. This has led to more use of auto enrollment, auto increases and default investment options linked to life cycle. Such provisions are designed to provide reasonable account balances for those who do not actively manage their savings or investments. Employees are enrolled automatically in the plan; their contribution amounts increase annually unless they opt out; and their investment option can be set up to change the asset mix based on expected years until retirement. However, one missing element in most plans is a vehicle or simple process to convert lump sum account balances into a stream of lifetime income.

Of greatest concern to retirees and pre-retirees alike is their ability to pay for health care, protect against inflation, and provide for long-term care. These concerns continue to remain prominent, though their relative importance has varied from survey to survey. Among pre-retirees, concern about these risks increased somewhat in the 2003 survey, following the events of 9/11/2001 and the resulting disturbance in financial markets from 2001 to 2002. The changes between 2001 and 2003 were no longer as apparent by the time of the 2005 survey. However, following several more years of instability in financial markets, depressed housing prices and higher unemployment, these heightened concerns resurfaced again in 2011, this time both for retirees and pre-retirees. Over the entire 10-year period, while pre-retirees were consistently more concerned about these issues than retirees, concern among retirees did increase significantly from 2009 to 2011.

Respondents in 2009 and 2011 indicated they are less well off than before the financial decline in 2008 and more concerned about their financial well-being. The extent and duration of the economic turmoil and its underlying causes are subject to wide disagreement among experts.[1] Notwithstanding these findings, research from the SOA and other organizations documents the resilience of retirees and their response to difficult times by reducing spending and paying down debt. These behavioral changes from 2008 to 2009 continued through 2011. Other than this, there does not appear to have been much change in retirees' basic risk management strategies. Except for health coverage, insurance products such as annuities or long-term care insurance are not seen as major components of their retirement planning.

The survey results highlight several areas where perceptions about risk raise concern for retirement strategy. One such concern is the planning horizon of pre-retirees and retirees alike, with too short a horizon underlying many of the other concerns discussed in this report. This is a serious issue, especially for the vast majority with inadequate financial literacy skills. A related concern is limited understanding of longevity and its variability, especially its impact on financial security for those who live well past the age they expected to and thereby risk winding up with little or no resources except Social Security.

ENDNOTE:

1 For a more complete discussion of the causes and effects of the economic turmoil, see the SOA report in this series, "Retirement Before and After the Recession."

Perspectives

FOR THREE OF THE MOST IMPORTANT CONCERNS, the results of the risk surveys remained quite stable from 2001 to 2009, but showed significant increases, especially for retirees, in 2011.

Percentages of Retirees Very or Somewhat Concerned about Major Risks

Year of Survey	Health Care Risk [1]	Long-Term Care Risk [2]	Inflation Risk [3]
2011	61%	60%	69%
2009	49%	46%	58%
2007	51%	52%	57%
2005	46%	52%	51%
2003	46%	48%	57%
2001	43%	NA	55%

Percentages of Pre-retirees Very or Somewhat Concerned about Major Risks

Year of Survey	Health Care Risk	Long-Term Care Risk	Inflation Risk
2011	74%	66%	77%
2009	67%	55%	71%
2007	69%	63%	63%
2005	75%	61%	65%
2003	79%	66%	78%
2001	58%	NA	63%

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

ENDNOTE:

1 Question in survey: How concerned are you that you might not have enough money to pay for adequate health care (in retirement)?

2 Question in survey: How concerned are you that you might not have enough money to pay for a long stay in a nursing home or a long period of nursing care at home (in retirement)?

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

Perspectives

PREVIOUS SURVEYS also asked respondents how well they expected the survivor would fare after the death of a spouse. Responses to these questions consistently indicate about 60 percent expected the survivor to be equally well off, with the remaining 40 percent about evenly split between expecting the survivor to be financially better off or worse off. These responses suggest more attention be given to the welfare, both financial and otherwise, of the survivor who, statistically, is more likely to be a widow. Also, even though Medicare covers most acute illnesses, respondents express more concern about their ability to pay for health care than for long-term care, which Medicare does not cover. This last finding might seem surprising, except it is consistent with the reluctance to purchase insurance products that protect against retirement risks as noted here and in related reports. It may also reflect concern over the current debate about the need to rein in health care costs and the consequent impact on Medicare.

Further concerns have arisen over understanding the implications of working longer. Many more respondents say they want to work longer than workers actually do. Across several surveys, there has been a continuing difference between actual retirement age and the age at which respondents said they expected to retire. Additional research, including EBRI's Retirement Confidence Study, persistently shows upward of 40 percent of people retiring before they planned to. The SOA's risk survey has examined the impact on economic security of working longer; it indicates a high level of awareness of the value of health insurance as an adjunct of continued employment. However, gaps in knowledge remain as to the impact on Social Security benefits, on savings, and the shorter period for which funds will be needed. Those approaching retirement have a great need for help to more completely evaluate the effect that decisions on retirement age will have on their financial security.

Conclusions

CONCERNS HAVE DEFINITELY INCREASED, particularly among retirees, since the last post-retirement risk survey. With no end in sight of the economic uncertainty that has persisted for several years, an increasing number of people are becoming more concerned about their retirement prospects; and some experts are pointing to a new "normal," one that is more challenging.

While other research indicates some change in behavior in response to this environment, such as reducing debt, spending less and becoming more risk-averse, these survey results do not indicate any significant changes in individuals' strategies to manage their longer-term retirement risks. As a result, many retirees continue to be at risk of running out of assets, and having to rely solely on Social Security. At the same time, some are choosing to manage risk by anticipating they will never retire—that is their "plan." For a few, this might be an effective strategy; but for many others, there will be a difficult moment of realization that this will not be possible. These survey results continue to show the importance of earlier and better planning, as well as a more systematic approach to managing all aspects of retirement risk.

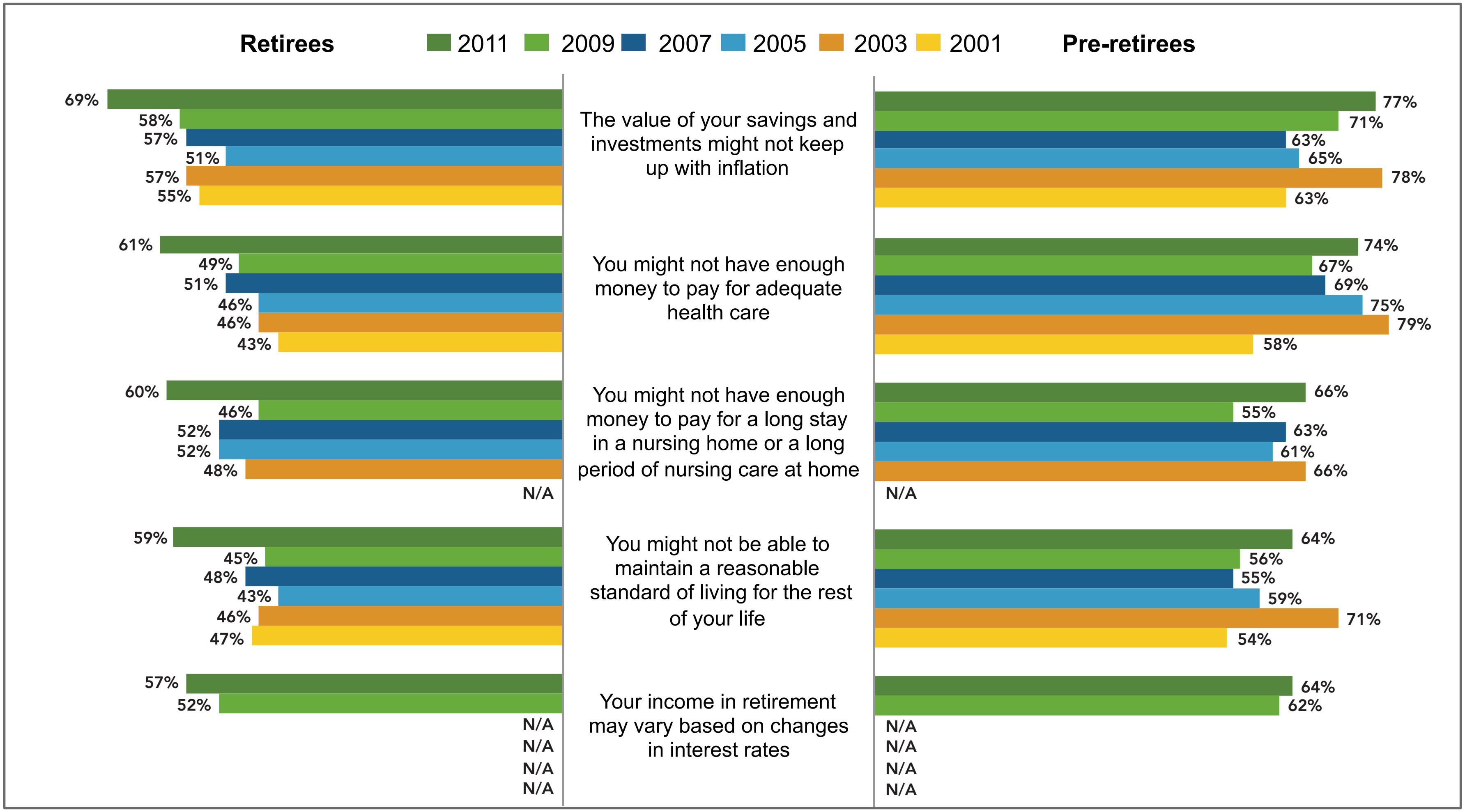
Retirement Risk—A Comparative Snapshot of Concerns

Findings

The retirement risk that most concerns both retirees and pre-retirees is keeping the value of their savings and investments up with inflation (69 percent of retirees and 77 percent of pre-retirees very or somewhat concerned). Almost as many also express concern about having enough money to pay for adequate health care (61 percent and 74 percent). Approximately six in 10 retirees and two-thirds of pre-retirees are concerned about having enough money to pay for long-term care (60 percent and 66 percent), being able to maintain a reasonable standard of living for the rest of their life (59 percent and 64 percent), income varying as a result of changes in interest rates (57 percent and 64 percent), and depleting their savings (54 percent and 63 percent).

Retirement Risk – A Comparative Snapshot of Concerns

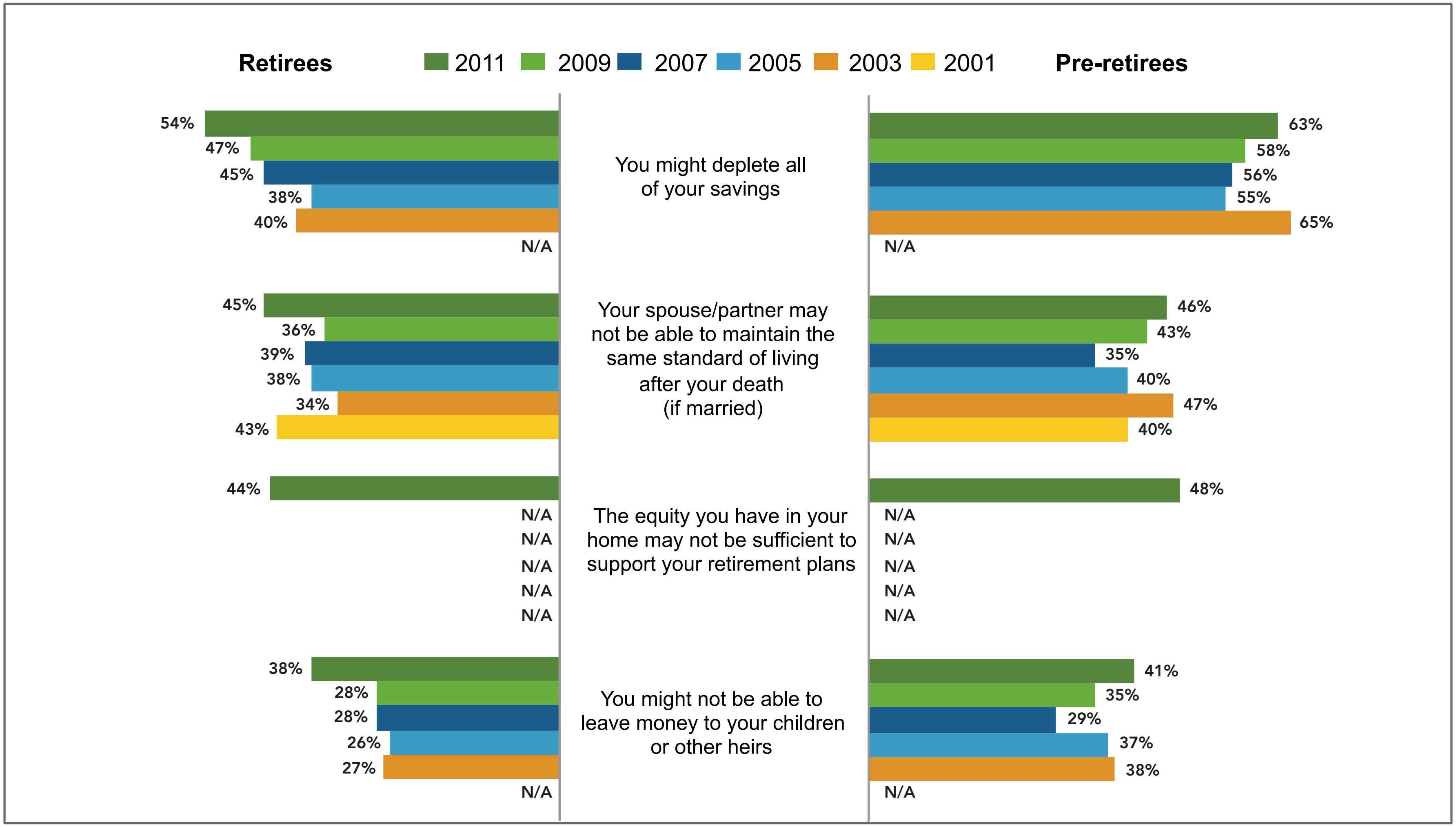
How concerned are you that … (in retirement)? (Percentage Very or Somewhat Concerned)



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

Retirement Risk – A Comparative Snapshot of Concerns

How concerned are you that … (in retirement)? (Percentage Very or Somewhat Concerned)



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

Retirees and pre-retirees continue to say they are more concerned about their retirement finances than five years ago.

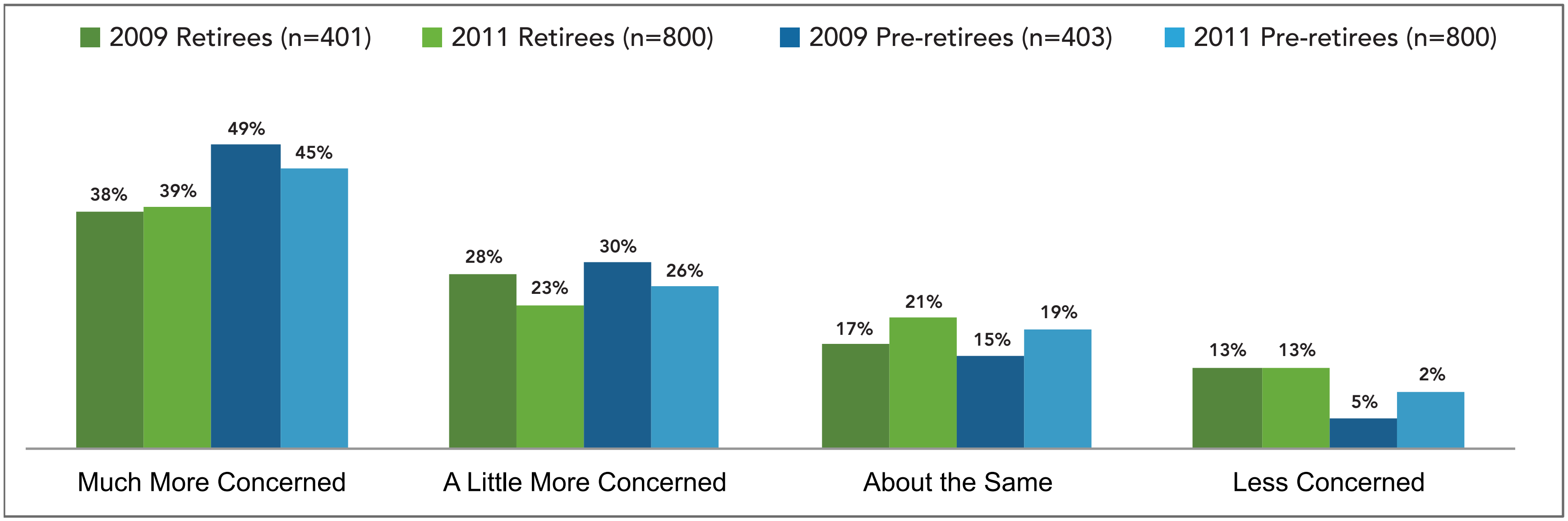
Survey Findings

Despite the fact that concern about various retirement risks has increased significantly, retirees are just as likely as in 2009 to report they are more concerned than they were five years ago (prior to major declines in the stock market and turmoil in the economy) about their retirement finances (62 percent in 2011 vs. 66 percent in 2009). Pre-retirees, however, were less concerned in 2011 than in 2009 (71 percent vs. 79 percent).

Discussion

While the stock market has improved somewhat from 2009 to 2011, as of late 2011 it was still well below its all-time high. In addition, there has been no improvement in housing prices from their lows, and unemployment persists at high levels. When 2011 is compared to 2009, there is a longer period of market turmoil. A significant majority of both retirees and pre-retirees remain more concerned about their retirement finances than five years ago.

How much have the changes in the stock market and economy affected your financial concerns about retirement?



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

Most respondents think that inflation will have a great deal or some effect on their money needs in retirement.

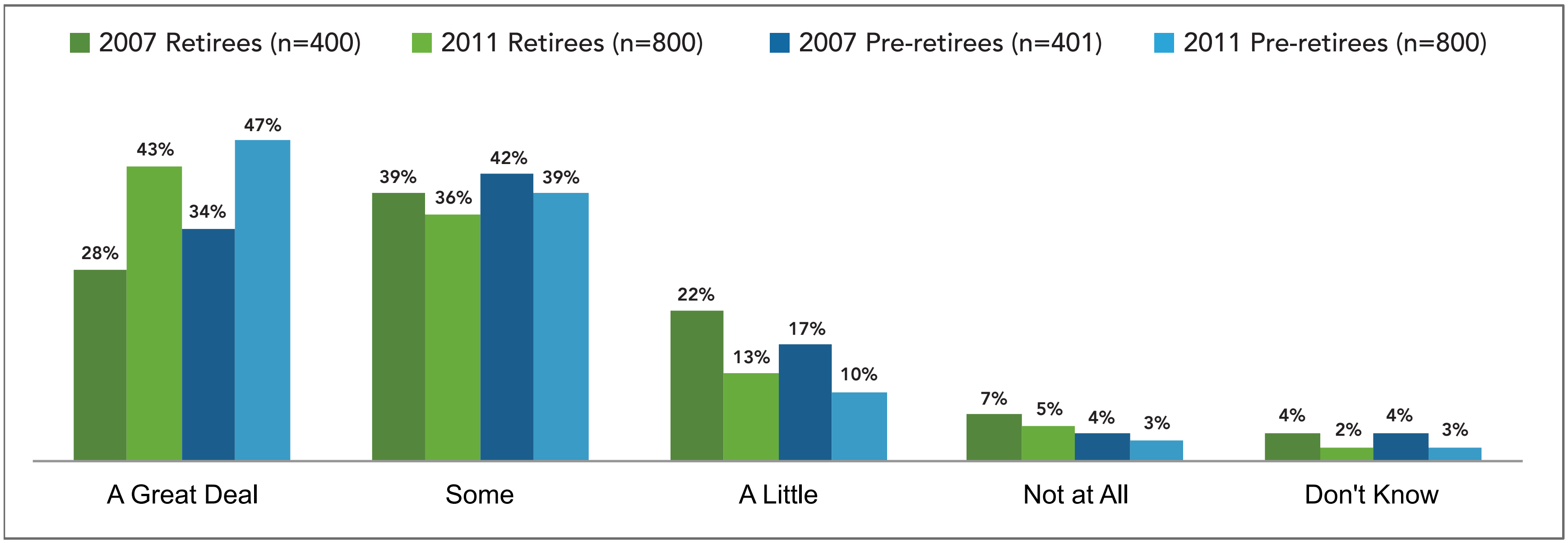
Survey Findings

More than four in 10 retirees (43 percent) and pre-retirees (47 percent) report they think inflation will affect the amount of money they will need in retirement a great deal. Another four in 10 each (36 percent of retirees and 39 percent of pre-retirees) say inflation will have some effect on the amount of money they will need, while fewer than two in 10 (18 percent and 13 percent) believe that inflation will have little or no effect on the amount of money they expect to need in retirement.

Discussion

Both retirees and pre-retirees are significantly more concerned about inflation than in 2007, the year the question was previously asked. Although federal policy and unemployment have kept overall inflation low in the last few years, retirees feel seriously affected by increases in health care costs, their share of these costs, and by food and energy prices. In addition, respondents may be influenced by concern among some experts that federal deficits greatly raise the threat of future inflation.

How much do you think inflation will affect the amount of money you will need each year in retirement?



Source: Society of Actuaries, 2007 and 2011 Risks and Process of Retirement Surveys

Most retirees would reduce spending if the value of their investments were to decline.

Survey Findings

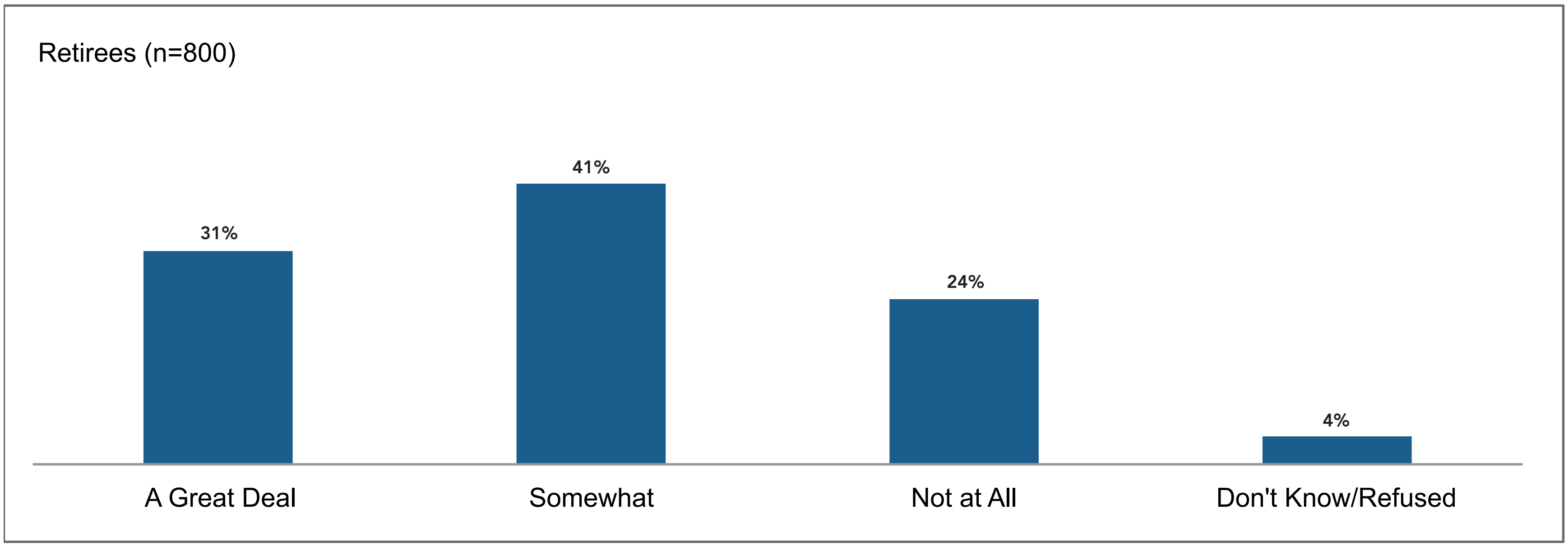
Seven in 10 retirees (72 percent) report they would decrease their spending if the value of their savings and investments were to go down by 10 percent. Three in 10 (31 percent) would cut back a great deal, while four in 10 (41 percent) would cut back somewhat on their expenditures.

Women, unmarried retirees, and those with household assets under $100,000 are more likely than their counterparts to say they would cut back a great deal.

Discussion

For more than seven in 10 retirees, a 10 percent or more decline in investment values will lead to a significant reduction in spending. This could affect their lifestyles and also the economy, which is heavily driven by consumer spending. To the extent that the surviving spouse bears the brunt of declining investment values, and women on average live longer, this is a serious problem for widows. However, a persistent theme in this and related research is the resilience of retirees in responding to reduced levels of income.

How much would you reduce your spending, if at all, if the value of your savings and investments were to go down by 10 percent?



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

Fewer than half use risk pooling strategies to manage retirement risks.

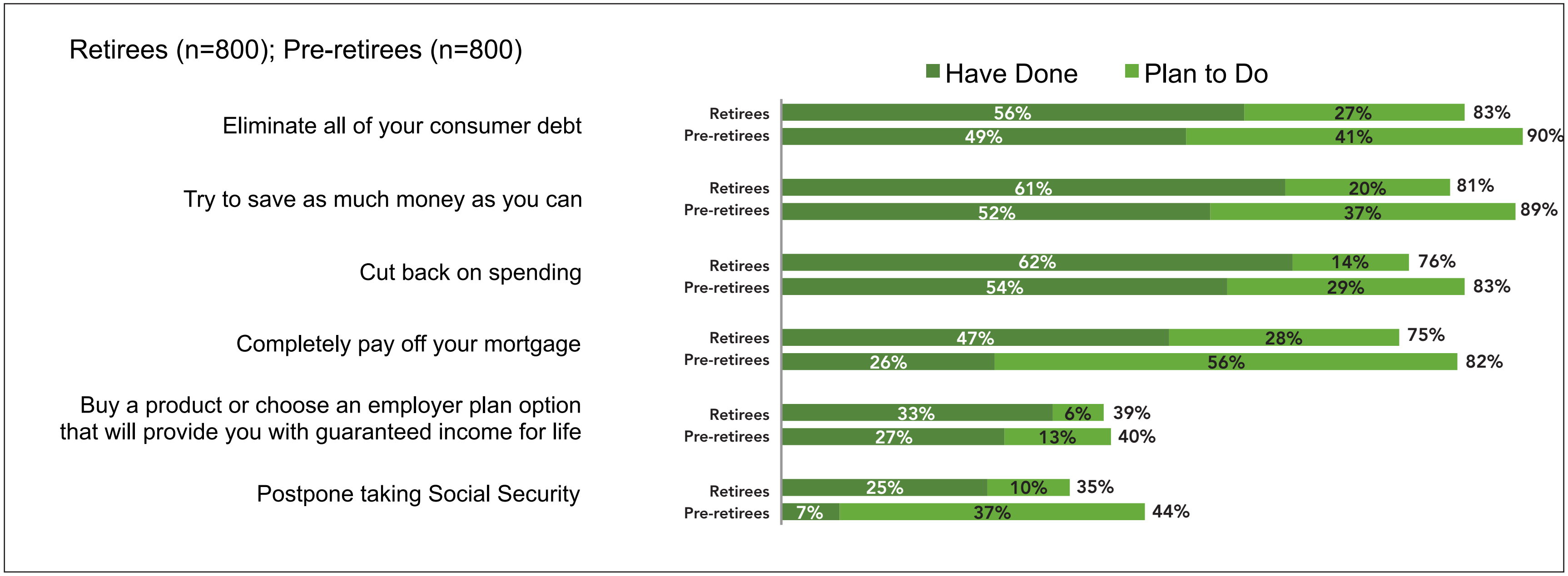
Survey Findings

Both retirees and pre-retirees tend to focus on strategies of saving and spending to manage the risks associated with retirement. Eight in 10 retirees and nine in 10 pre-retirees state they have already eliminated or plan to eliminate all of their consumer debt and are trying to save as much as they can, or that they intend to take these steps. Slightly fewer have already cut back on spending and completely paid off their mortgage or plan to do so. Fewer than half of retirees and pre-retirees adopt a risk pooling strategy by buying an annuity or choosing an annuity option from an employer plan or postponing the age at which they take Social Security.

Discussion

The most popular strategies adopted by pre-retirees and retirees alike may be good methods for trying to manage with less and make money last longer when resources are scarce. However, they are not very effective at dealing with major health and long-term care shocks. They are also not very effective in addressing the prospects of running out of resources as a result of living beyond the age one expects to. On the other hand, they do offer the potential to continually readjust along the way.

Please tell me whether you (and your spouse/partner) have done that, plan to do that in the future, or have no plans to do that.



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

Maintaining a healthy lifestyle is preferred to purchase of insurance as a means of managing health and long-term care costs.

Survey Findings

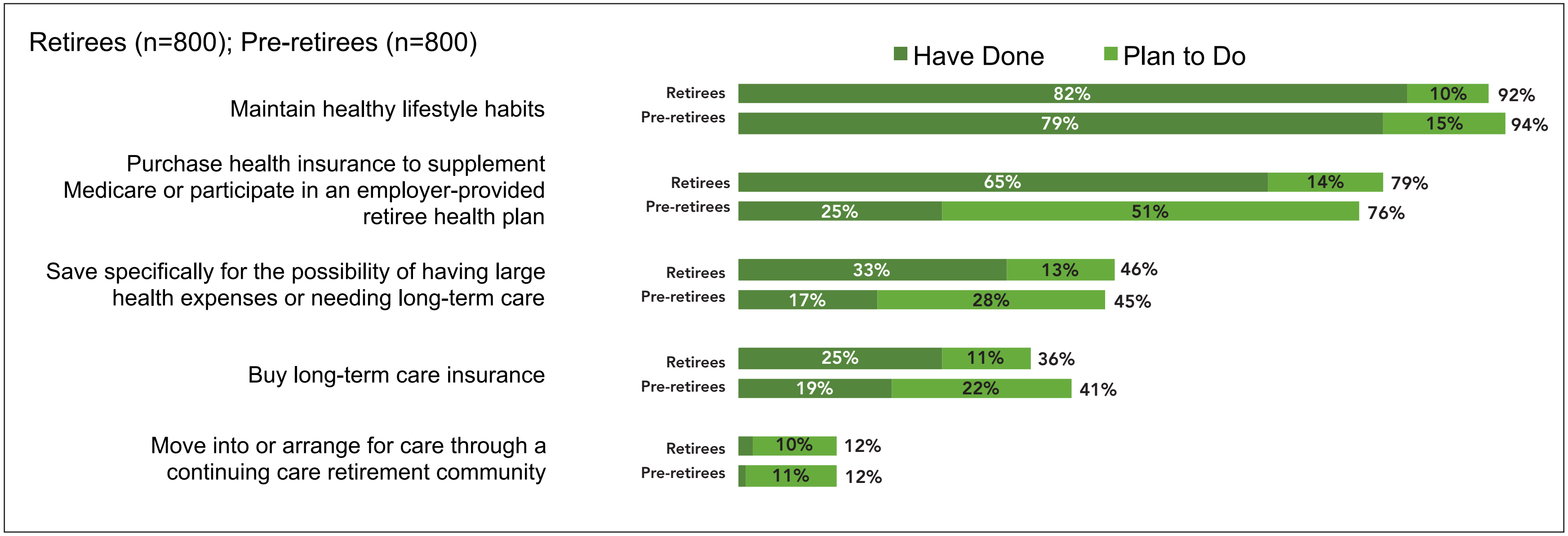
Almost all retirees and pre-retirees say they maintain or plan to maintain healthy lifestyle habits, such as proper diet, regular exercise and preventive care to protect themselves financially when it comes to health expenses in retirement.

Smaller proportions turn to insurance to help manage this risk. Roughly three-quarters of retirees and pre-retirees report they own or plan to purchase health insurance to supplement Medicare or participate in an employer-provided retiree health plan.

Discussion

While nearly all respondents say they maintain healthy lifestyle habits, the survey oversight group has some skepticism about how effective these efforts are and for how many people this is reality rather than an ideal. Much long-term care is provided informally by family and friends, and those with very limited resources often have to resort to Medicaid. Nevertheless, the need for paid long-term care services would be a major financial burden for many families.

Please tell me whether you (and your spouse/partner) have done that, plan to do that in the future, or have no plans to do that.



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

Maintaining a healthy lifestyle is preferred to purchase of insurance as a means of managing health and long-term care costs.

Survey Findings (continued)

About four in 10 own or plan to buy long-term care insurance. Just one in 10 indicates they have turned to or will turn to a continuing care retirement community.

Almost half of retirees and pre-retirees say they save or will save specifically for the possibility of having large health expenses or needing long-term care.

Discussion (continued)

Just as with respondents' intentions to maintain healthy lifestyles as a way of managing health care costs, their plans to save specifically for large health care expenses or long-term care may be more an ideal rather than reality. There are few good substitutes to actually purchasing insurance products to protect against such risks.

More pre-retirees expect to delay retirement.

Survey Findings

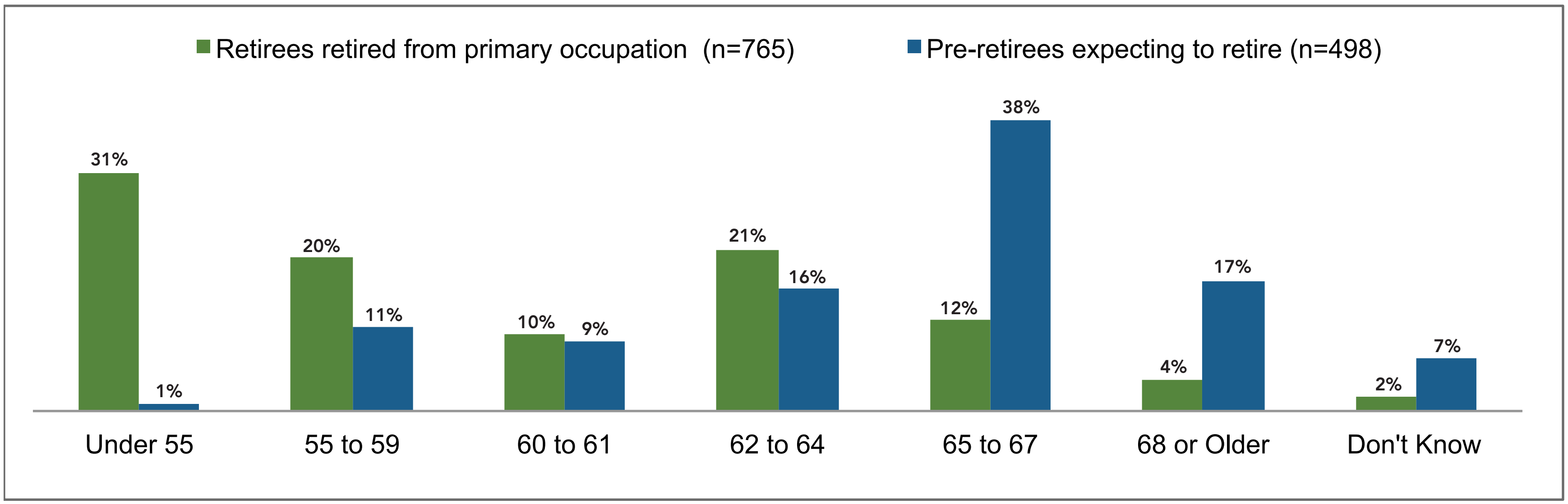
More than one-third of pre-retirees state that retirement will not apply to them (35 percent, up from 29 percent in 2009) because they will be financially unable to retire, will choose to continue working, or for some other reason.

Those pre-retirees who eventually expect to retire think they will work longer than current retirees actually did. While half of retirees report they retired before age 60 (51 percent), just one in 10 pre-retirees thinks they will retire that early (12 percent). Instead, half of pre-retirees expecting to retire say they will wait at least until age 65 to retire.

Discussion

There is a major disconnect between when people say they plan to retire and when they actually do. Some of this is probably due to involuntary retirement. As noted in the responses below, half of retirees had retired before age 60. And though other studies show an increase in the percentage of people over age 65 who are employed, many who lose jobs in their 50s and early 60s experience more difficulty finding new employment than younger people. Prior surveys in this series show similar findings.

How old were you when you retired or began to retire from your primary occupation?/At what age do you expect to retire from your primary occupation?



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

More retirees stopped working all at once and slightly fewer report working in retirement.

Survey Findings

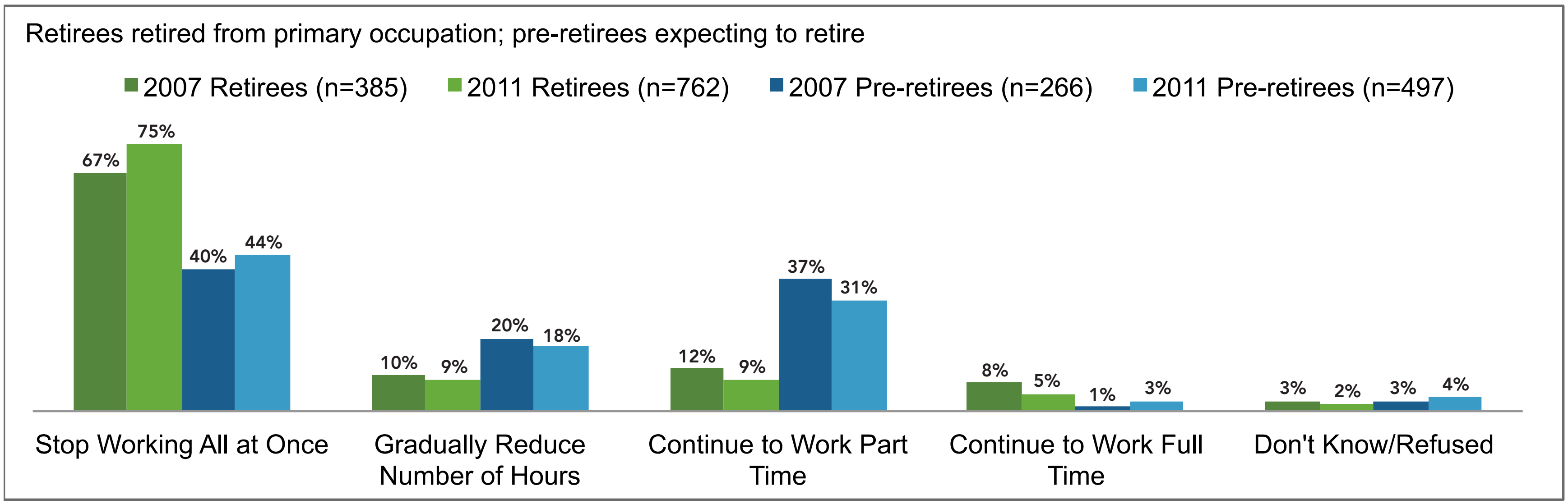
Since 2007, there has been a slight increase in the percentage of retirees who are choosing to retire from their primary occupation by stopping work all at once (67 percent in 2007 vs. 75 percent in 2011).

In contrast, pre-retirees continue to plan on working for pay. Two in 10 (18 percent) plan to gradually reduce the number of hours before stopping completely; three in 10 (31 percent) say they will continue to work part time; and a very small percentage (3 percent) plans to work for pay full time in what would otherwise be their retirement years.

Discussion

Since 2007, when the question was last asked, the percentage of those retiring all at once has increased to a high of 75 percent, and there has been a small decline in those who retire gradually. This is consistent with the finding of a high percentage of those retired having done so before age 60. It may also reflect the difficult labor markets and reduced access to options that permit gradual retirement. It is believed that more people would like to work as part of retirement than actually do.

Which statement comes closest to describing how you retired/plan to retire from your primary occupation?



Source: Society of Actuaries, 2007 and 2011 Risks and Process of Retirement Surveys

Retirees tend to underestimate their life expectancy.

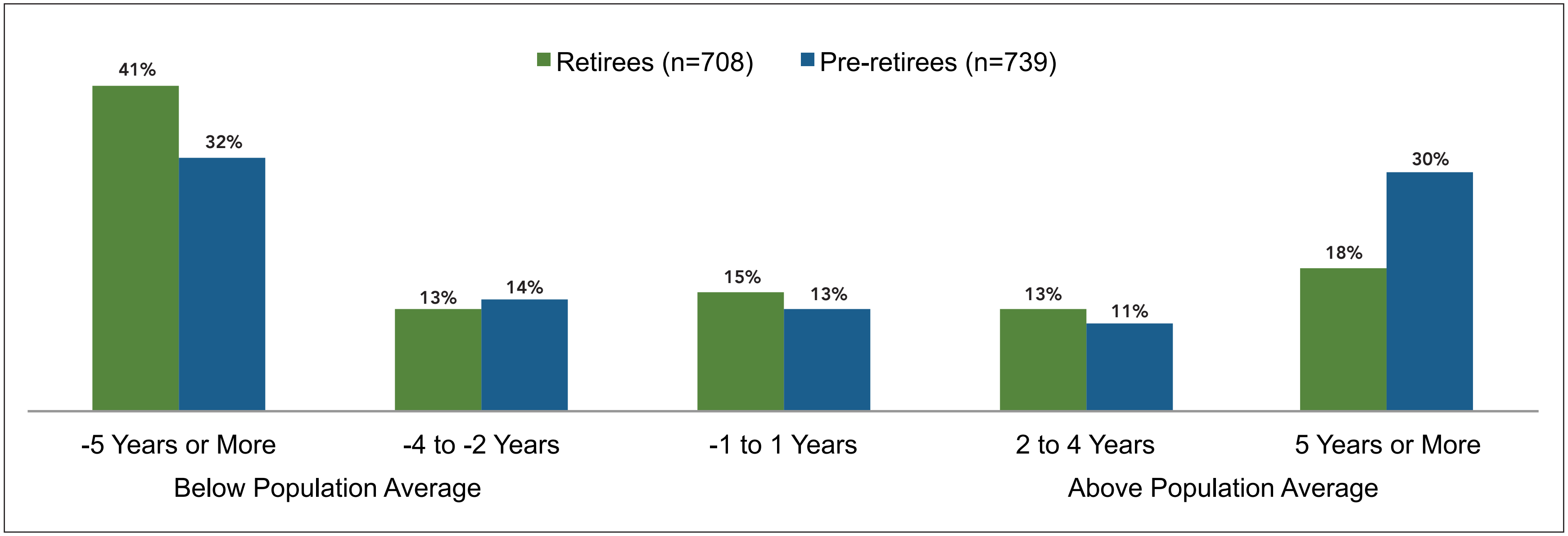
Survey Findings

A comparison of respondents' estimates of personal life expectancy to those of the population as a whole demonstrates that more than half of retirees think they will not live as long as the average person their age and gender (54 percent). Only three in 10 retirees (31 percent) cite a life expectancy that is longer than the population average. Pre-retirees are almost as likely to think they will live below the population average (46 percent) as they are to think they will live beyond it (41 percent).

Discussion

Life expectancy is calculated as a measure of broad population averages, not a predictor of personal length of life. Half of the population will live longer than average life expectancy. Therefore, life expectancy should not be used to establish an individual planning horizon, but it does provide a place to start thinking about one. There are several issues with regard to understanding life expectancy: how long people may live, the considerable variability around the average value, and the financial consequences for individuals who live a shorter or especially a longer time.

Difference between respondent estimate of personal life expectancy and population life expectancy, among retirees and pre-retirees providing an estimate.



Source: Society of Actuaries, 2011 Risks and Process of Retirement Survey; SOA UP 1994 Projected to 2011

Many survey respondents have short planning horizons.

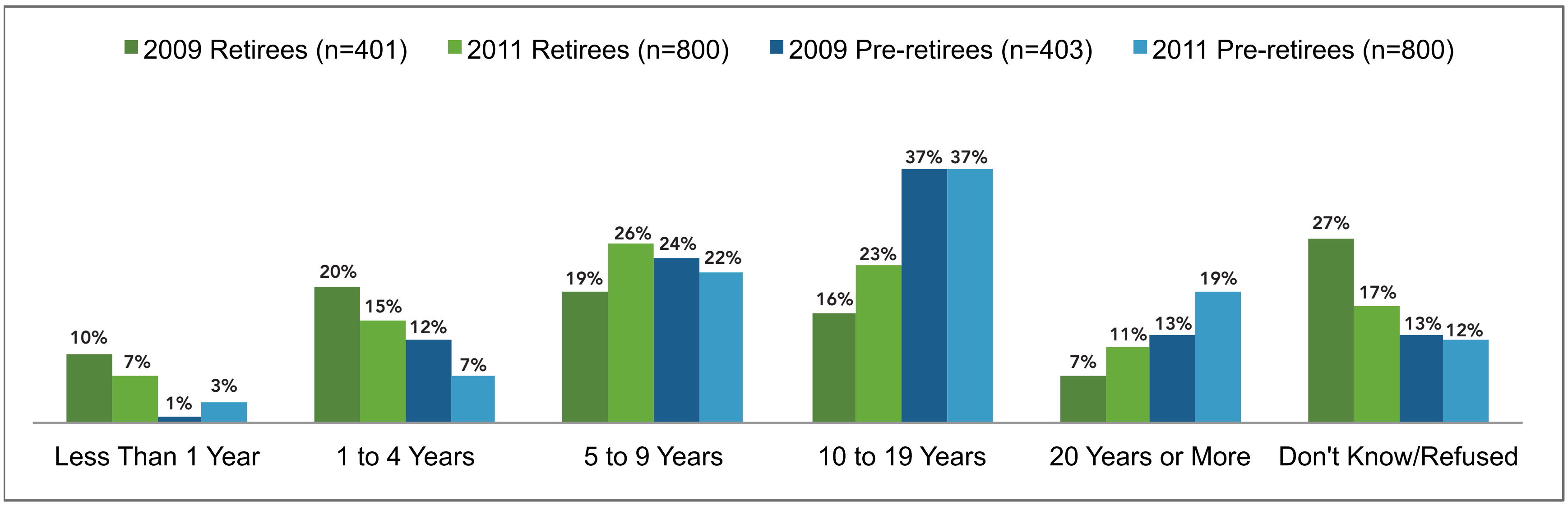
Survey Findings

Retirees and pre-retirees generally have a planning horizon that is shorter than their life expectancy. As in 2009, retirees say they typically look five years (median) into the future, while pre-retirees typically look 10 years (median) ahead when making important financial decisions. Despite the generally short planning horizon, however, retirees are more likely than in 2009 to say their planning horizon is at least 10 years (34 percent, up from 23 percent), while pre-retirees are more likely to say it is at least 20 years (19 percent, up from 13 percent).

Discussion

A major concern is that many people have a shorter planning horizon than their future expected lifetime. Gradually using assets with the expectation that they will last them their entire lives can easily lead to people running out of financial resources. If they do not have significant assets, and rely almost solely on a fixed pension income or Social Security, that is a different problem, and planning horizon becomes much less of an issue.

When you (and your spouse/partner) make important financial decisions, such as when you think about your retirement finances or a large purchase/whether you can afford to retire or to purchase a new home, about how many years do you look into the future?



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

More than half of retirees, but only one-third of pre-retirees, have a plan for financing their retirement.

Survey Findings

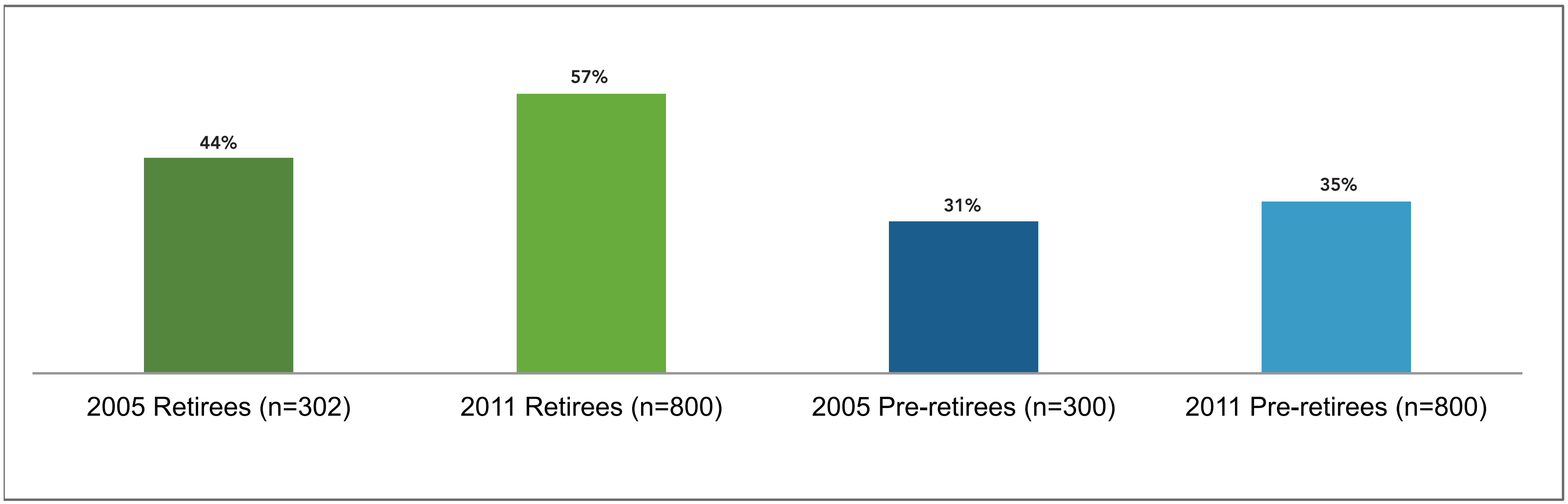
Almost six in 10 retirees (57 percent, up from 44 percent in 2005) report they have a plan for how much money they will spend each year in retirement and where that money will come from.

In contrast, just one-third of pre-retirees (35 percent) say they have such a plan. However, the likelihood of having a plan for financing retirement increases with age.

Discussion

The increase in reported prevalence of plans for retirement since this question was last asked in 2005 is very encouraging. However, the percentage without plans indicates that there is still a long way to go. Having a plan is most important for those who are spending down assets and even more so for those who are going into debt. Retirees who use all of their assets or accumulate debt that they can't realistically expect to repay may face major difficulty. For a couple, this can be particularly troublesome for the survivor after the first one dies.

Do you currently have a plan for how much money you will spend each year in retirement and where that money will come from? (Percentage saying yes)



Source: Society of Actuaries, 2005 and 2011 Risks and Process of Retirement Surveys

Pre-retirees are more likely than retirees to think that living five years longer than expected will have financial consequences.

Survey Findings

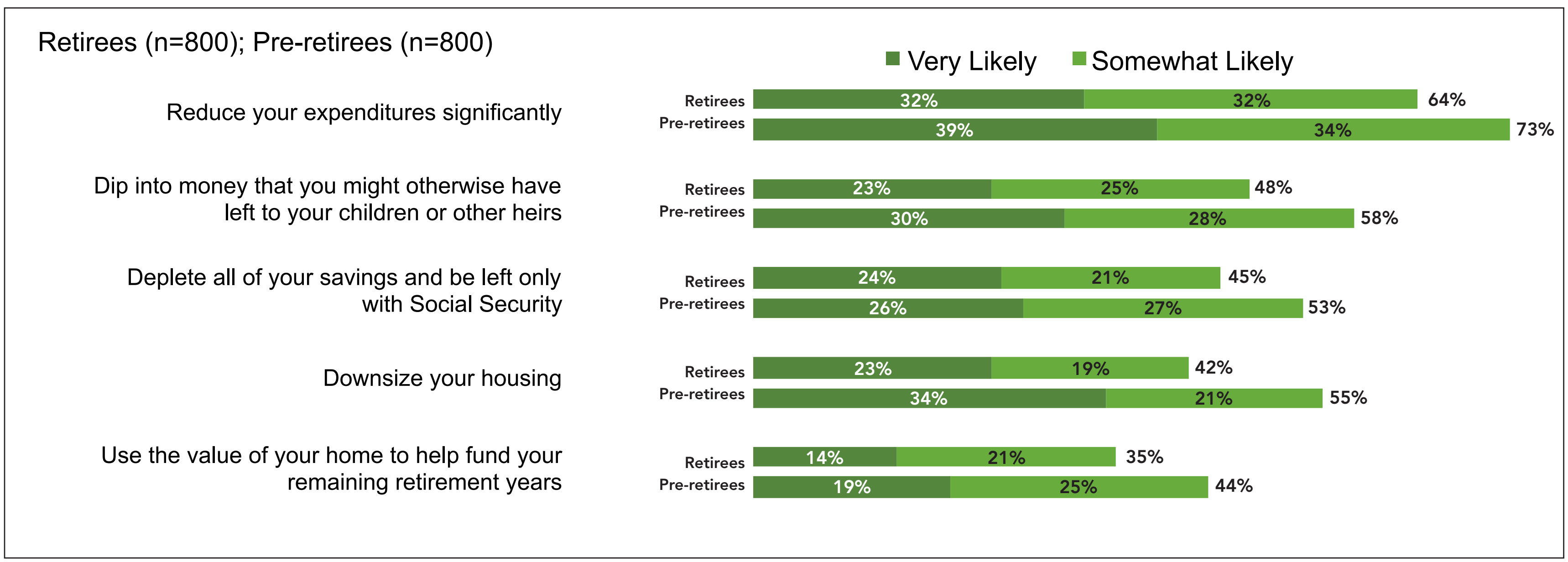
If they were to live five years longer than expected, both retirees and pre-retirees foresee making adjustments to how they finance their retirement. However, pre-retirees are more likely than retirees to think they would need to resort to making such adjustments.

Most retirees (64 percent) and pre-retirees (72 percent) say they would be very or somewhat likely to reduce their expenditures significantly if they were to live five years longer than expected.

Discussion

Reducing expenditures is often cited as a risk management strategy. The challenge surrounding this "strategy" is that many retirees have already reduced expenditures. Some may still have discretionary spending, but for others reducing expenditures further could mean hardship. Planning to use home equity to finance retirement is precarious as a strategy, especially in times of reduced housing prices, and in general considering the illiquid nature of real estate. The survivor after one member of a couple dies is most likely to be faced with these issues.

If you (and/or your spouse/partner) were to live five years longer than expected, how likely do you think it is that you would do each of the following?



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

The recession has made individuals feel they need to do a better job with their financial planning.

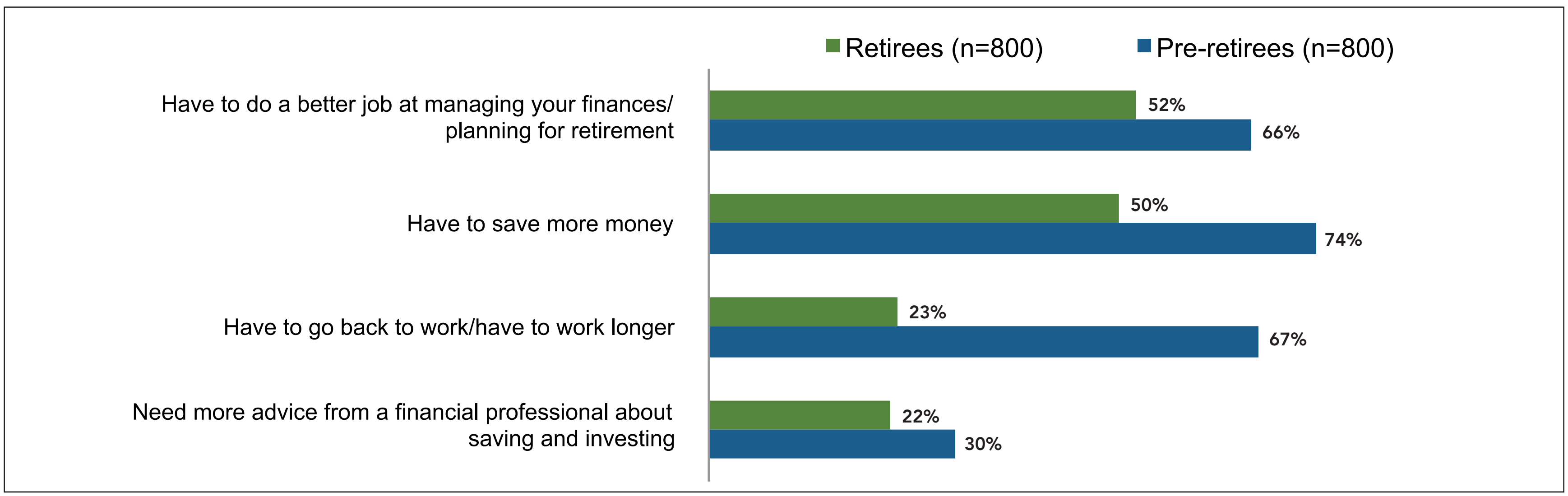
Survey Findings

The economic uncertainty of the past few years has left half of retirees and at least two-thirds of pre-retirees feeling they need to do a better job of managing their finances or planning for retirement (52 percent of retirees and 66 percent of pre-retirees) and that they need to save more money (50 percent and 74 percent). While two-thirds of pre-retirees (67 percent) also feel they have to work longer in the aftermath of the recession, fewer than one-quarter of retirees think they have to go back to work (23 percent).

Discussion

The economic turmoil of the past few years and its attendant effect on employment opportunities, the stock market and housing prices have led many in the baby boom generation, now approaching age 65, to completely reassess their retirement prospects. A key question about these responses is how many people will be able to turn these ideas into actions. A second key question is whether a changed sense of urgency will last beyond the current economic crisis and encourage more serious financial planning.

Have the changes in the stock market and economy made you feel that you…? (Percentage saying yes)



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

Fewer than half of retirees and pre-retirees consult with a financial planner or advisor.

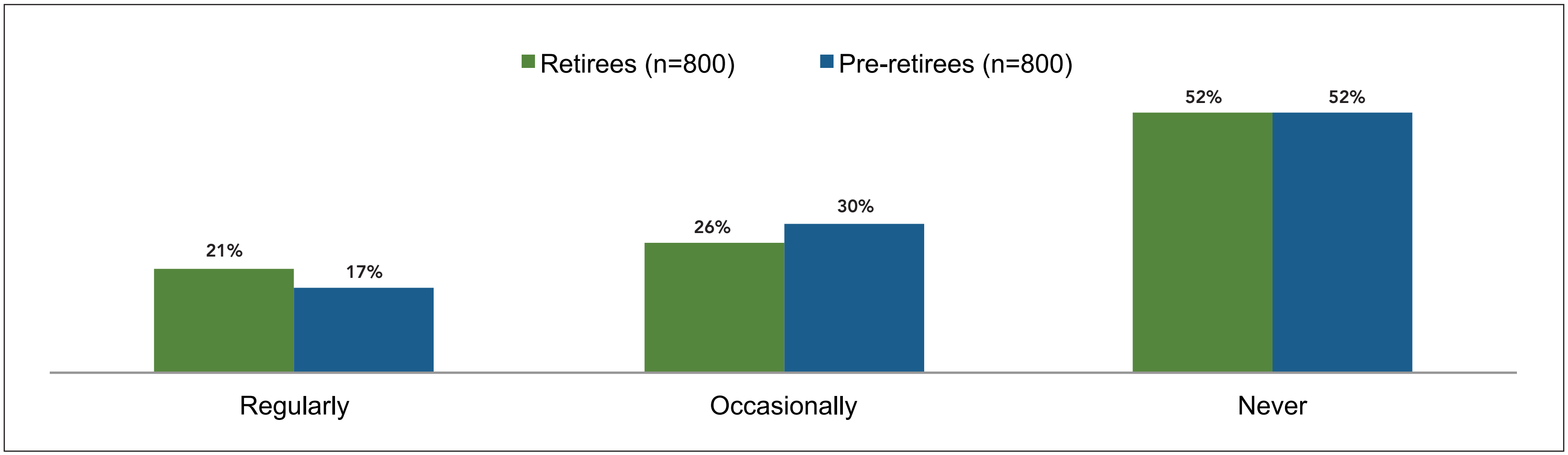
Survey Findings

Barely half of retirees and pre-retirees (47 percent each) report they consult with a financial planner or advisor who helps them make decisions about their financial or retirement planning. Approximately two in 10 do so regularly (21 percent of retirees and 17 percent of pre-retirees) and three in 10 do so occasionally (26 percent and 30 percent).

Discussion

Considering the income and wealth characteristics of the respondents, with only one in eight having savings and investments of half-a-million dollars or more, it is hardly surprising that so small a share regularly consult with financial planners. However, as future retirees become increasingly likely to have defined-contribution plans, they may turn more to such advice to help in managing retirement risk.

About how often do you (and your spouse/partner) consult with a financial planner or advisor who helps you make decisions about your financial/retirement planning and is paid through fees or commissions?



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

Major Differences in Survey Results Across Time

CONCERN REGARDING THE RETIREMENT RISKS examined in this study has remained remarkably stable over time, although the past two years have shown a marked increase in concern among retirees about many of these issues. Retirees are more likely than previously to express concern about inflation, having enough money to pay for adequate health care, having enough money to pay for long-term care, maintaining a reasonable standard of living, and depleting savings. In addition, retirees are more likely than in 2007, the last time this question was asked, to say inflation will affect them a great deal.

Pre-retiree concerns about these issues spiked in 2003, but declined slowly through 2009. Nevertheless, pre-retiree concern about some of these issues also increased in the past two years. In particular, pre-retirees are more likely than in 2009 to say they are very or somewhat concerned about inflation, having enough money to pay for long-term care, and maintaining a reasonable standard of living throughout retirement.

Notwithstanding this increased concern about various retirement risks, retirees and pre-retirees are no more likely than in previous years to report they have used the various risk management strategies examined in the survey. However, retirees are more likely than in 2009 to report they have already cut back on spending, have tried to save as much money as they can, and have purchased a product or chosen an employer plan option that provides them with guaranteed income for life.

Despite their generally short planning horizons, retirees are more likely than in 2009 to say their planning horizon is at least 10 years (34 percent, up from 23 percent), while pre-retirees are more likely to say it is at least 20 years (19 percent, up from 13 percent). Moreover, retirees are more likely than in 2005 to report they have a plan for how much money they will spend each year in retirement and where that money will come from (57 percent, up from 44 percent).

Retirees are also more likely than in 2005 (the last time the question was asked), to indicate they would be very or somewhat likely to reduce their expenditures significantly if they were to live five years longer than expected (64 percent, up from 53 percent), to dip into money that might otherwise have gone toward an inheritance (49 percent of retirees, up from 42 percent), and deplete all of their savings (45 percent, up from 35 percent). Pre-retirees show no significant change from 2005 in the consequences they anticipate should they live five years longer than expected.

Major Differences in Survey Results Across Time (continued)

	Retirees		Pre-retirees	
Express Concern About	2011	2009	2011	2009
Effect of Inflation on Value of Investments	69%	58%	77%	71%
Paying for Health Care	61%	49%	74%	67%
Paying for Long-Term Care	60%	46%	68%	55%
Maintaining Standard of Living	59%	45%	64%	56%
Depleting Savings	54%	47%	63%	58%

	Retirees	
Risk Management Strategies Already Implemented	2011	2009
Cut Back on Spending	62%	56%
Tried to Save as Much as Possible	61%	53%
Obtained Guaranteed Income	33%	19%

Profile of the Survey Respondents

The following charts summarize the demographic characteristics of the 2011 survey respondents. For a comparison to respondents from previous iterations of the survey, please refer to the full survey report available at *www.soa.org*

	Retirees (n=800) Percentage	Pre-retirees (n=800) Percentage
Age		
45 to 54	14	60
55 to 64	31	34
65 to 80	55	6
Gender		
Male	46	49
Female	54	51
Marital status		
Married	60	73
Living with a partner	4	3
Divorced/Separated	15	10
Widowed	12	4
Never Married	7	8
Education		
Some High School or Less	4	1
High School Graduate	25	22
Some College, Trade or Business School	32	31
College Graduate	23	29
Graduate Degree	15	15

Profile of the Survey Respondents

	Retirees (n=800) Percentage	Pre-retirees (n=800) Percentage
Employment Status		
Working	12	82
Retired	68	0
A Homemaker	5	4
Laid off/Unemployed and Seeking Work	2	8
Disabled and Unable to Work	11	3
Other	1	3
Provide Significant Financial Support for Someone Other than Themselves/Spouse		
Yes	18	44
Home Ownership		
Own Home Free and Clear	48	26
Own Home, Owe Mortgage	41	65
Rent Home	9	7
Don't Know/Refused	2	2
Health Status		
Excellent	18	25
Very Good	33	43
Good	25	25
Fair	14	6
Poor	8	1

Profile of the Survey Respondents

	Pre-retirees (n=800) Percentage	Retirees (n=800) Percentage
Household Income		
Less than $25,000	15	8
$25,000-$34,999	13	7
$35,000-$49,999	17	10
$50,000-$74,999	17	20
$75,000-$99,999	11	16
$100,000 or more	13	30
Don't Know/Refused	14	10
Total Savings/Investments		
Less than $25,000	25	21
$25,000-$49,999	7	10
$50,000-$99,999	8	10
$100,000-$249,999	11	16
$250,000-$499,999	9	12
$500,000-$999,999	6	8
$1 million or more	6	5
Don't Know/Refused	28	19

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The views and opinions expressed in this report are those of the authors and do not necessarily reflect those of the Project Oversight Group.

TO OBTAIN A COPY OF THE COMPLETE SURVEY REPORT
The 2009 Risks and Process of Retirement & Survey report may be obtained from the website of the Society of Actuaries at *www.soa.org.*


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