



Aging and Retirement

# Work and Lifetime Financial Security

2019 Risks and Process of Retirement Survey Research Brief





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## Work and Lifetime Financial Security

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### **Caveat and Disclaimer**

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## INTRODUCTION AND BACKGROUND

Work history, retirement timing and resource building are critical to retirement security. Retirement resources are built during periods of work, through personal savings and the provisions of Social Security and employer plans. Involuntary gaps in employment both during the later working years and at the end of those years have a major influence on the adequacy of retirement resources. The ability to fund retirement adequately is also driven by being able to work to an appropriate retirement age.

The Risk Survey series has explored actual versus expected retirement ages regularly, along with the incidence of involuntary retirement. This year, the Retirement Risk survey for the first time includes a chapter on the impact of mid-to-late-career job loss and work interruptions on retirement plans, as well as how concerned pre-retirees are about maintaining their employment as desired as they progress toward retirement. When viewed together, this series of survey questions provide insights into some of the challenges and issues related to work, retirement and retirement planning.

Retirement planning models often assume relatively stable employment, but the realities can be quite different for some people. This fact sheet focuses on how many respondents missed significant periods of full-time work and how it impacted their ability to save for retirement, though the survey findings do not provide information on how earnings changed when employment was interrupted.

The concerns of workers relative to maintaining needed employment until retirement can be considered together with the finding that many retirees retired earlier than planned, and not because they wanted to. Nor do retirees work nearly at the levels that pre-retirees think they will in retirement. The Society of Actuaries research has consistently shown that retirees have retired earlier than pre-retirees expect to, and that retirement is often driven by job loss, unpleasant working conditions, disability or having to care for someone rather than a planned exit from the workforce.

Year after year this study shows that pre-retirees plan to work later into their aging years than retirees actually do work. Although we do not know the cause of this gap in expectations versus reality, there is evidence in this and other research to support the idea that some retirees are being pushed to retire earlier than desired and expected. Focus groups held by SOA in 2013 confirm this. The current research also shows that more pre-retirees expect to phase down than retirees did and that more pre-retirees expect to work in retirement than retirees actually do.

## KEY FINDINGS

### CAREER DISRUPTION

- The survey results indicate that about more than two in ten respondents had missed one or more years of working full time after the age of 45.
- Approximately three in ten had missed six months of working time or more.

Figure 1

#### TIME OUT OF WORK OR UNDEREMPLOYED AFTER AGE 45

Thinking about the course of your career after age 45, how much time were you (and your spouse/partner) unable to work or unable to work full time?



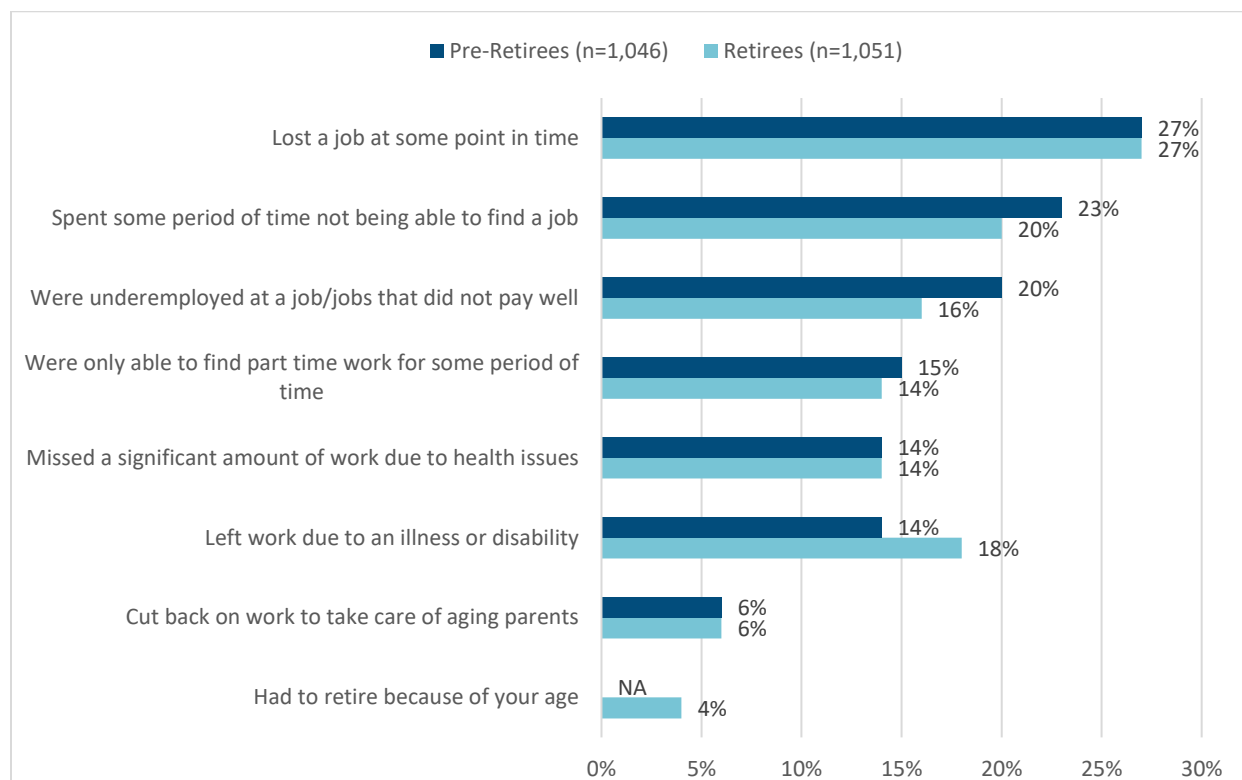
\* Asked among those age 50 or older

- Employment disruption can have multiple causes although job loss is the most common.

Figure 2

REASONS FOR UNDER/UNEMPLOYMENT AFTER AGE 45

Have any of the following things happened to you (or your spouse/partner) that caused you to miss work or be underemployed for more than three months?



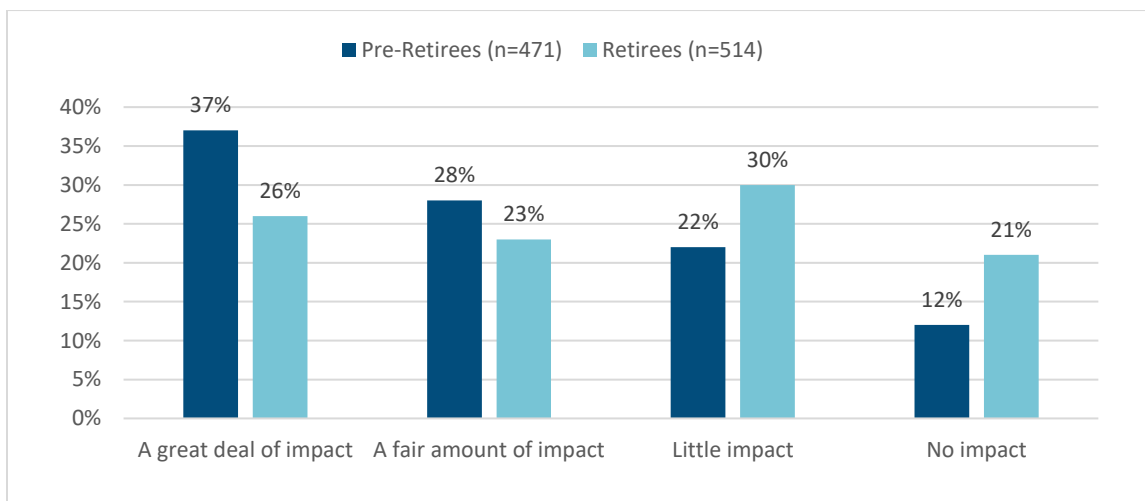
- Results showed that missing significant work has an impact on savings and a sense of security for most people, and more so for pre-retirees.

Figure 3

IMPACT OF MISSED WORK ON RETIREMENT SAVING

What impact did missing work have on your (and your spouse/partner's) ability to save for retirement?

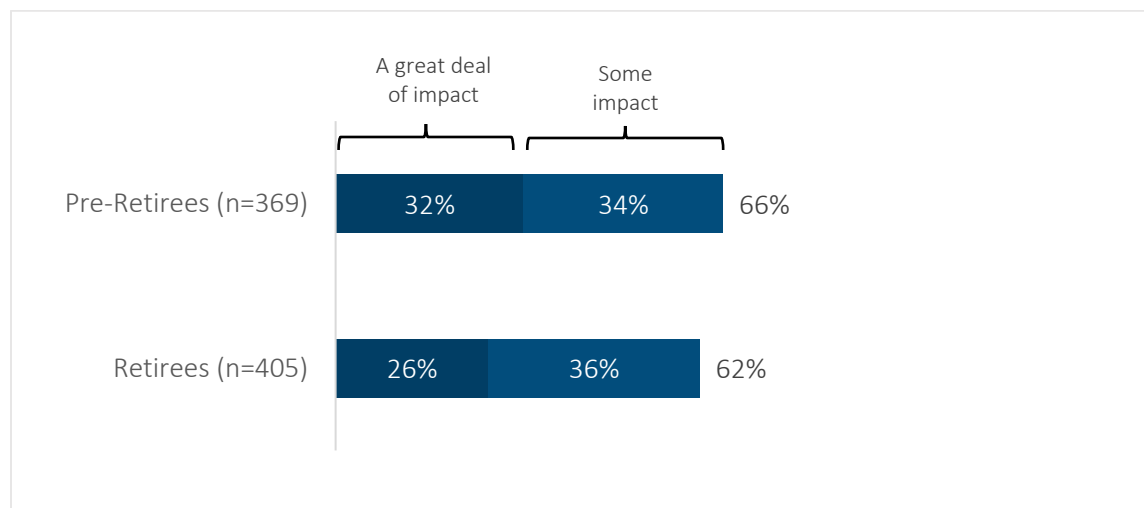
(Filtered for those who missed time out of work)



**Figure 4**

**IMPACT OF MISSED WORK ON FINANCIAL SECURITY IN RETIREMENT**

*As a result of you and your spouse/partner not being as fully employed as you could have after age 45, how much impact has it had on your feeling less secure about your retirement?*

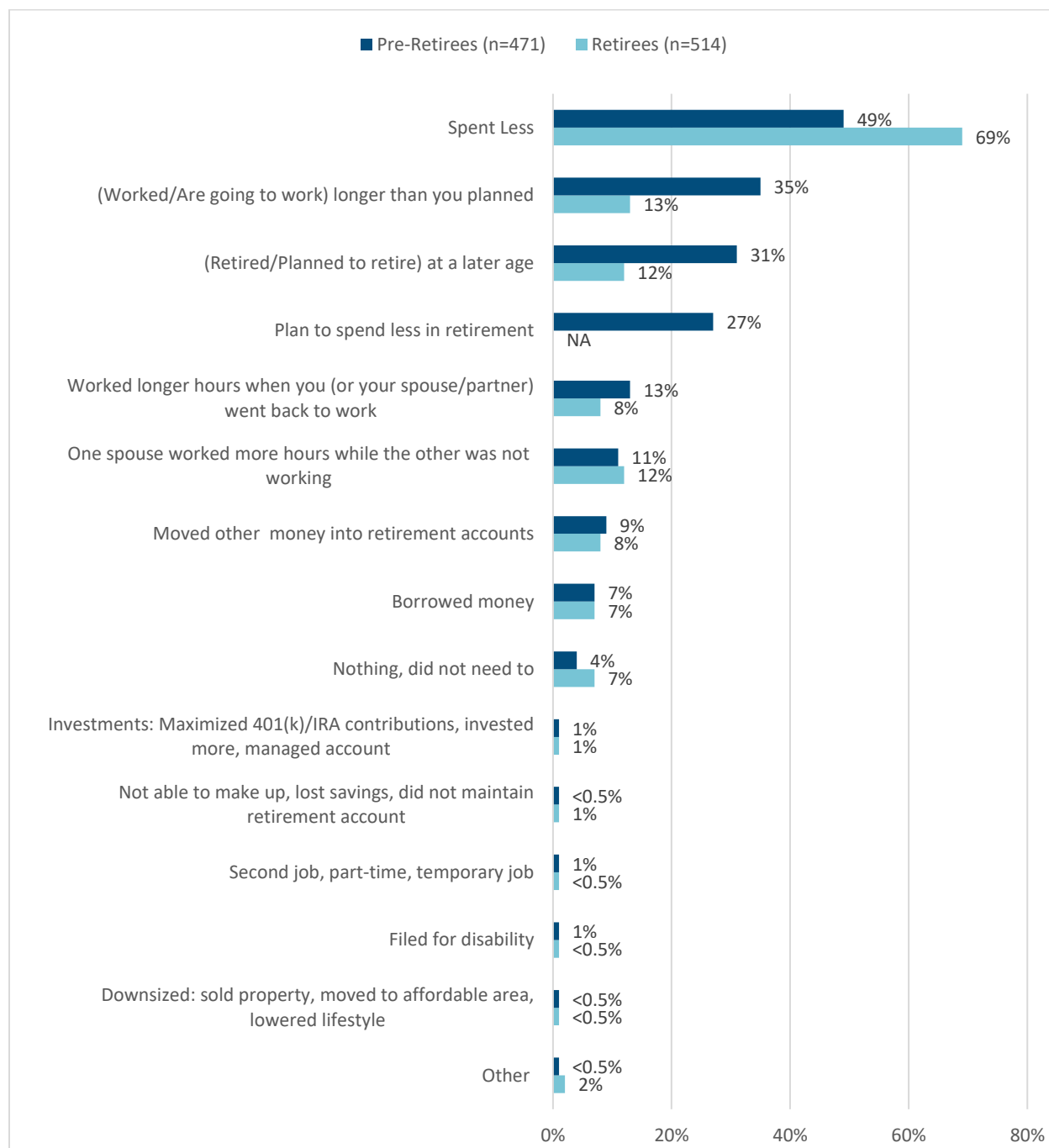


- Many of those who have had a work disruption attempt to mitigate it by cutting spending rather than dipping into retirement savings.

Figure 5

ADJUSTMENTS MADE TO MAINTAIN OR MAKE UP RETIREMENT SAVINGS LEVELS

Which of the following have you done to try to maintain or make up your and your spouse/partner's retirement savings levels?  
(Filtered for those who missed time out of work)





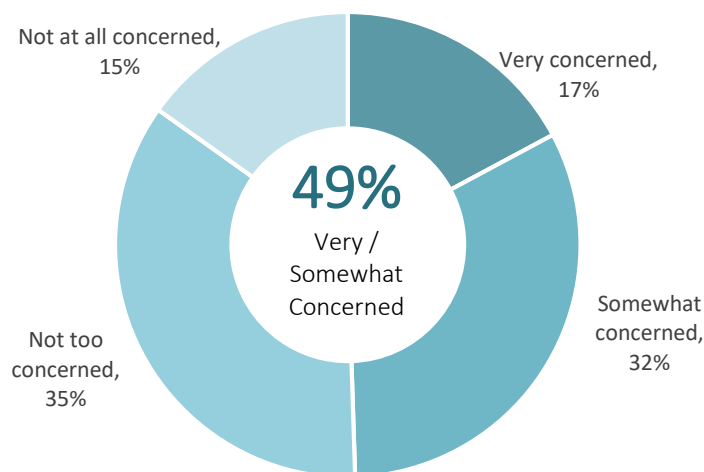
- More pre-retirees worry about job loss than retirees or pre-retirees experience such losses. Forty-nine percent of pre-retirees are at least somewhat concerned about this, and 35% of retirees actually experienced three months or more out of work or underemployed.

Figure 6

CONCERN ABOUT MAINTAINING EMPLOYMENT TO ACHIEVE FINANCIALLY SECURE RETIREMENT

How concerned are you that you and your spouse/partner will not be able to maintain the level of employment you need prior to retirement to achieve a financially secure retirement?

(Pre-retirees n=1,046)



- **The impact of job loss before retirement has a greater impact on some groups than others.**
  - Respondents who are not married or less wealthy and those that don't plan for retirement are more apt to be affected by job loss.
  - Couples in which both partners are working may be less impacted by the loss of one job since they have another income.

END-OF-CAREER EMPLOYMENT

The ability of workers to accumulate enough for retirement is related not only to being able to have steady employment through their later working years but also for them to be able to work at and beyond retirement. This research examined two ways that retirees can do this at the end of career:

- Phase **into** retirement with a gradual decline in income—retiring in steps or on a reduced basis
- Go back to work **after** retirement, either in a part- or full-time capacity

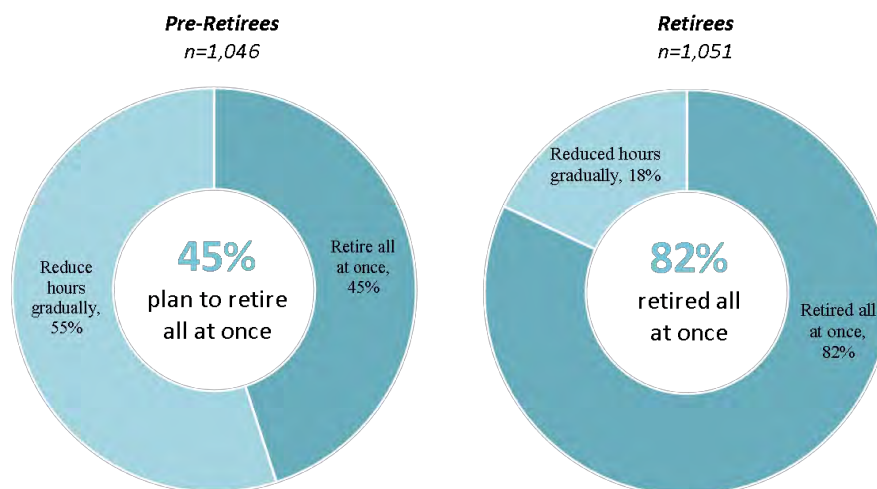
We did not directly ask retirees to discuss the extent which they wanted to phase out of work or work after retirement, only the extent to which they did so. Thus, among those who did not follow these paths, we do not know if they chose not to or were not able to. However, we attempted to infer this by comparing what retirees did compared to what pre-retirees intended to do. The assumption is that the “gap” would allow some inference as to the extent to which plans to continue work do not materialize. It is far from a perfect measure. For example, today’s retirees likely have more guaranteed sources of income compared to today’s pre-retirees and may have less of a need to phase out or work after retirement.

- The 2019 survey showed that more pre-retirees expected to phase down by a much wider margin than retirees actually did (82% or retirees retired all at once, versus 45% of pre-retirees expecting to do the same).

Figure 7

RETIREMENT EXPECTATIONS VERSUS REALITY

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

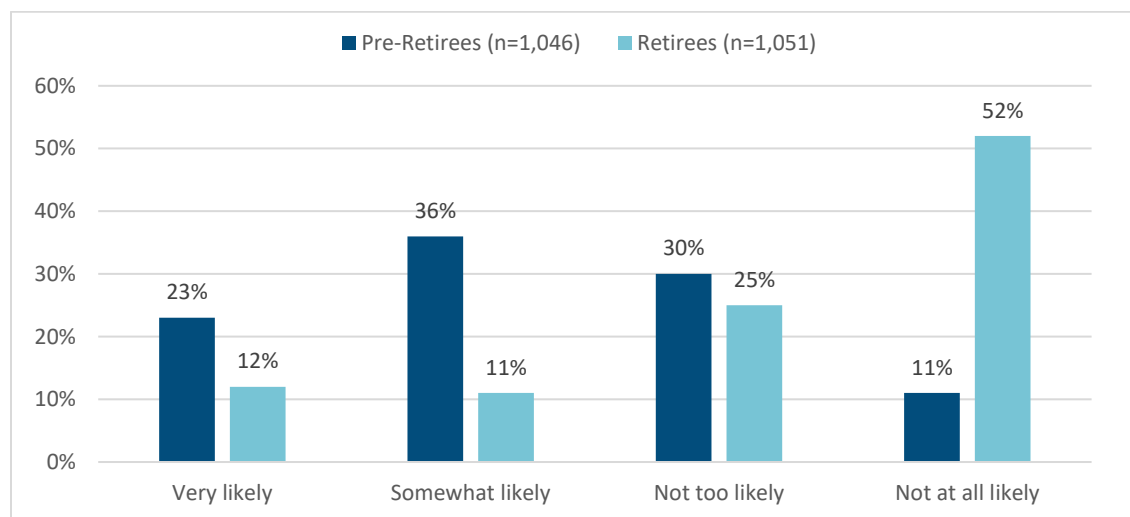


- The 2019 survey indicated that a little more than a third of retirees worked again, most frequently in roles that required less responsibility than their pre-retirement jobs, and usually in a role that had flexible hours so they could work when they wanted. In comparison, almost six in ten pre-retirees say that it is at least somewhat likely that they will work again in retirement. Fewer than one-quarter of retirees say it is likely they will do so again.

Figure 8

LIKELIHOOD OF WORKING AGAIN SOMEDAY

How likely is it that (after you retire,) you will work again someday?



OBSERVATIONS

A key factor in retirement security is the ability of workers to participate in the workforce to the extent to which they need, and disruptions in employment impact retirement security. We know from past research that many people retire earlier than planned, often because of being pushed or forced to retire. This current study also documents that this reduction in their retirement security is compounded when people lose time out of work. One in five survey respondents lost a year or more of work after age 45. Some of those who change jobs at higher ages see reductions in earnings.

For those who do experience time out of the workforce, it is impactful, and job security is a big concern for those who are not yet retired. Most who had time out of the workforce were able to leave their retirement savings untouched, but some report not being able to make up any lost savings. Those with time out of the workforce are likely to reduce spending to try to save more, and pre-retirees are also likely to plan to work longer and/or retire later to counteract any impact on their ability to save for a secure retirement. Similar to other areas of risk examined in the study, those who are unmarried, have lower incomes or did not plan much for retirement are more apt to be affected more by job loss.

As the retirement system has increasingly used defined contribution plans as the primary retirement savings vehicle, many people reach retirement age with account balances that do not allow them to maintain their standard of living. Some have no retirement savings at all. Working longer and claiming Social Security later are often cited as

ways to improve retirement security. However, it is unclear how many of the people who want to do this are able to make it happen.

The survey indicated that many more people said they wanted to work in retirement than ended up doing so in reality and that people said they wanted to retire significantly later than today's retirees tend to retire. It also told us that people who had time out of the workforce commonly viewed working longer as a way to catch up; however, very few retirees actually used this strategy.

Further work is needed to understand to what extent people try to work longer and are unable to find a satisfactory way to do so. Potential challenges that can stand in the way are personal health issues, family members needing help, unwillingness or inability to adapt to jobs available, and/or inability to find suitable employment.

## About The Society of Actuaries

The Society of Actuaries (SOA), formed in 1949, is one of the largest actuarial professional organizations in the world dedicated to serving more than 31,000 actuarial members and the public in the United States, Canada and worldwide. In line with the SOA Vision Statement, actuaries act as business leaders who develop and use mathematical models to measure and manage risk in support of financial security for individuals, organizations and the public.

The SOA supports actuaries and advances knowledge through research and education. As part of its work, the SOA seeks to inform public policy development and public understanding through research. The SOA aspires to be a trusted source of objective, data-driven research and analysis with an actuarial perspective for its members, industry, policymakers and the public. This distinct perspective comes from the SOA as an association of actuaries, who have a rigorous formal education and direct experience as practitioners as they perform applied research. The SOA also welcomes the opportunity to partner with other organizations in our work where appropriate.

The SOA has a history of working with public policy makers and regulators in developing historical experience studies and projection techniques as well as individual reports on health care, retirement and other topics. The SOA's research is intended to aid the work of policymakers and regulators and follow certain core principles:

**Objectivity:** The SOA's research informs and provides analysis that can be relied upon by other individuals or organizations involved in public policy discussions. The SOA does not take advocacy positions or lobby specific policy proposals.

**Quality:** The SOA aspires to the highest ethical and quality standards in all of its research and analysis. Our research process is overseen by experienced actuaries and non-actuaries from a range of industry sectors and organizations. A rigorous peer-review process ensures the quality and integrity of our work.

**Relevance:** The SOA provides timely research on public policy issues. Our research advances actuarial knowledge while providing critical insights on key policy issues, and thereby provides value to stakeholders and decision makers.

**Quantification:** The SOA leverages the diverse skill sets of actuaries to provide research and findings that are driven by the best available data and methods. Actuaries use detailed modeling to analyze financial risk and provide distinct insight and quantification. Further, actuarial standards require transparency and the disclosure of the assumptions and analytic approach underlying the work.

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