

# 2021 Retirement Risk Survey

## Brief Report: Identifying Retirement Risks and Trends

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Aging and Retirement



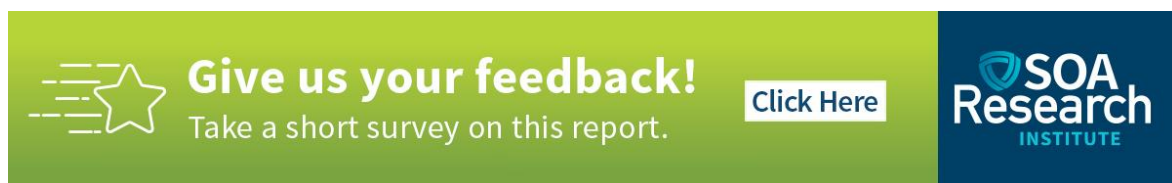
# 2021 Retirement Risk Survey

## Brief Report: Identifying Retirement Risks and Trends

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Committee

Retirement Section

A horizontal banner with a green-to-blue gradient background. On the left is a white star icon with horizontal lines extending from its left side. To the right of the star is the text "Give us your feedback!" in a bold, white, sans-serif font, followed by "Take a short survey on this report." in a smaller white font. Further right is a white rectangular button with the text "Click Here" in a blue, sans-serif font. On the far right of the banner is the SOA Research Institute logo, which consists of a blue shield icon and the text "SOA Research INSTITUTE" in white and blue.

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## Brief Report: Identifying Retirement Risks and Trends

### Introduction

Retirement is a time of great joy and yet, a time of great uncertainty for many and can present new challenges. In addition, Americans may face a wide range of risks in retirement, and effective planning for retirement involves being aware of and managing these risks.

Therefore, understanding and identifying these risks and how individuals address them have been important components of the Society of Actuaries (SOA) Research Institute's Aging and Retirement Research. Since 2001, the SOA Research Institute has conducted the biennial Retirement Risk Survey and this year's study represents the 11<sup>th</sup> iteration of the survey. The SOA Research Institute has also published a guide, [Managing Post-Retirement Risks](#), which outlines risks encountered in retirement along with suggested strategies for managing them. The fourth version of this guide was published in 2021.

This brief report focuses on trends in the broad range of concerns that pre-retirees and retirees have regarding retirement that have been examined in the [Retirement Risk Survey](#).

### Context for the Current Study

Since the first iteration of the Retirement Risk Survey in 2001, a variety of events have shaped the trended findings, particularly the financial events of 2008. And, of course, in 2020, COVID-19 changed Americans' everyday lives. It caused significant volatility in investment markets, significant shifts in unemployment levels, reliance on government monetary assistance for businesses and individuals, growth of the gig economy, as well as business closures. This report examined the impact of COVID-19 on consumers' financial situations (Appendix Table A1).

Some key points about the environment throughout the history of the survey include the aging population and increasing income inequality. Also, the shift from defined benefit to defined contribution plans and the decline in retiree medical has played a role in the risks that Americans face in retirement.

The field work for the 2021 Retirement Risk Survey was completed in June 2021. At that point, initial doses of COVID-19 vaccines had become widely available. There was substantial optimism at that time about the outlook for the pandemic. This then changed into a feeling of increased uncertainty when new surges occurred and variants appeared, bringing growth in the number of COVID-related deaths and those who are suffering from what is known as long COVID. It is important to be aware that at the time of this research, inflation and supply chain issues were just beginning to emerge and were yet to have a major impact on the American psyche. There were also historically low interest rates at the time, with the possibility of those rates going up still viewed as a mere possibility in the future.

COVID-19 changed the overall retirement risk picture in different and sometimes unpredictable ways. While the employment landscape became more unpredictable for pre-retirees, the reduction in travel and other activities made it easier for pre-retirees and retirees to spend less, making finances more sustainable. At the same time, the mere presence of COVID-19 may have increased the public's general anxiety levels and feelings of isolation.

**Accessing Society of Actuaries Research Institute reports:** All of the Society of Actuaries Research Institute reports can be found in the Research Section of the Society of Actuaries Web Page, under Aging and Retirement<sup>1</sup> or COVID-19<sup>2</sup>.

## Retirement Concerns in 2021

The SOA Research Institute's 2020 publication, *Managing Post-Retirement Risks*, identifies three primary categories of retirement risks to consider in planning:

- Economic Risks
- Personal Planning Considerations
- Unexpected (or Unpredictable) Events

The 2021 Retirement Risk Survey provides insight into each of these categories of risk, often providing trend data from past surveys (Table 1).

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<sup>1</sup> <https://www.soa.org/research/topics/aging-ret-topic-landing/>

<sup>2</sup> <https://www.soa.org/resources/research-reports/2020/impact-coronavirus/>

**Table 1**  
**CONCERNS OR EXPECTATIONS ABOUT VARIOUS RISKS**

	<b>Economic Risks</b>	<b>Personal Planning Considerations</b>	<b>Unexpected (or Unpredictable) Events</b>
Risks addressed in <i>Managing Post-Retirement Risks</i> publication	Inflation Interest Rates Financial Markets Employer Solvency	Longevity Post-Retirement Employment Changes in Housing and Support Needs Change in Marital or Partnership Status	Public Policy Changes Significant Health Care Needs Unforeseen Needs of Family Members Bad Advice, Fraud or Theft
The <i>Retirement Risk Survey</i> offers insights on these risk-related topics	Value of Savings Keeping Up with Inflation (trend) Depleting Savings (trend) Inadequate Home Equity (trend) Stock Market Downturn Real Estate Downturn	Maintaining a standard of living throughout life (trend) Making Right Social Security choices (new) Health Care Costs Long-term Care Costs Being Able to Stay in Home Being Able to Leave Money to Children Impact of Death of Spouse/Partner Impact of Own Death on Spouse/Partner Inability to Manage Finances (trend) Vulnerability to Fraud	Political Turmoil Negative Impact of Climate Change Cuts in Social Security and Medicare Tax Increases Resurgence of COVID Fraud

### **OBSERVATIONS ON MANAGING RISK FROM THE RETIREMENT SURVEY**

The 2021 Retirement Risk Survey asked several broad questions about adequacy of finances throughout retirement. Overall, while significant minorities of both populations show at least some concern, pre-retirees were far more likely to be at least somewhat concerned about sustaining the money they need throughout retirement relative to retirees. Among the economic risks listed in Table 1, concerns about keeping up with inflation were the highest, with two-thirds of pre-retirees and 41% of retirees feeling at least somewhat concerned (Appendix Table A2). This study was conducted in a month when the inflation rate was 5.4%, which was high, but lower than as of this writing. Despite this, retirees were less likely to be concerned than in 2019 (48%) when inflation was 1.9%.

These findings suggest that after Americans retire, they are less likely to have the same level of concern about running out of money. For example, while close to six in ten pre-retirees are at least somewhat concerned about running out of assets in retirement, only 32% of retirees express this concern. Furthermore, the level of concern on this issue has dropped six points this year to an all-time low for retirees, but this same drop did not happen with pre-retirees.

When it comes to concern about maintaining one's finances in retirement, it is not surprising that income level is an overwhelming factor. For example, while 47% of retirees with annual income of less than \$35,000 were concerned about maintaining a reasonable standard of living for the rest of their lives, only 15% of those with annual income of more than \$75,000 have this concern (Appendix Table A3).

These findings correspond with the diverse level of preparedness that we found by income level. Ninety-five percent of retirees earning more than \$75,000 report being at least somewhat prepared for retirement, compared to six in ten (63%) of those earning less than \$35,000 (Appendix Table A6).

The history of the survey series seems to imply that respondents react to immediate conditions, and that within a year or two, they seem less influenced by those recent conditions. At the time the survey was fielded, people who had significant investments in equities benefited from increases in stock prices after an initial decline when COVID-19 started. They were also spending less, making it easier to manage cash flow, and perhaps the pandemic shifted people's attention away from longer-term issues, including retirement. Retirees who were not as affected by changes in the job market likely suffered the least from the pandemic. It is our conclusion that the 2021 retiree risk concerns reflect that this is an unusual year, and that it should not necessarily create expectations for the future. For example, we would expect that the significant declines in investment markets during 2022 will impact future survey responses.

The 2021 Retirement Risk Survey examined the potential for health and life-related issues de-railing respondent's finances such as declining overall health, the need for care, or the death of a spouse/partner. Overall, pre-retirees have higher levels of concern than retirees. In 2021, the top two life event risks for pre-retirees were affordability of long-term care and health care (62% and 61% respectively being somewhat or very concerned) (Appendix Table A2).

One interesting finding of this study is that concern about health care was 29 points lower for retirees relative to pre-retirees, while concern about long-term care was only 16 points lower for retirees. Among retirees, concerns about being able to afford long-term care (46% of retirees) are far more prevalent than concerns about health care costs (32% of retirees). One possible explanation is that Medicare, which covers retirees, provides confidence in covering medical costs that does not exist for long-term care costs (Appendix Table A2).

The only exception of higher concern by pre-retirees compared to retirees is fraud. Unlike other items, the percentage of pre-retirees who are at least somewhat concerned about fraud rose from 31% in 2019 to 43% in 2021, and among retirees it rose from 36% to 47%, representing the risk that retirees were most concerned about (Appendix Table A2). Perhaps the pandemic and related scams heightened fear among respondents about being a victim of these activities.

Pre-retirees and retirees were asked how likely it is that political and economic events, such as political turmoil, inflation, tax increases, a stock market crash, a real estate crash, entitlement cuts, and climate change could affect their retirement security. A majority of both pre-retirees and retirees believe that economic and political events are likely to impact retirement. This is especially true when asked about factors like inflation, taxes, and entitlement cuts, where between 60% and 76% of each group felt this way. The gap in responses between pre-retirees and retirees was not as large as other types of risks; retirees were only slightly less likely than pre-retirees to believe that these events would impact their retirement (Appendix Table A5).

## Conclusions and Observations

Retirement preparation involves using effective planning to address retirement risks. Concern can motivate planning, yet the results of the 2021 Retirement Risk survey suggest that the level of concern among retirees about the potential of various challenges affecting them is way down this year. This may be due to the circumstances at the time of the survey including lower spending during the pandemic or, for wealthier respondents, surging markets.

While a significant minority still have some concern about a wide array of retirement risks, most of these concerns have dropped for retirees. Furthermore, a majority of retirees feel at least somewhat prepared for various challenges that could occur in retirement. Most retirees feel prepared for future events and many feel that their financial situation has improved since they retired. These data are highly income driven, suggesting that lower-income Americans are far more in need of efforts to get them to plan.


However, this study also suggests some warning signs. More than half of pre-retirees report that they could not handle an unexpected expense of over \$10,000 without negatively impacting their retirement security. Also, most are not attempting to plan for family support in the future, although it is an action they should be doing. This suggests a need for more current focus and a broader view of planning that may exist today for many pre-retirees.

Since its inception, the Retirement Risk Survey, has explored perceptions of a variety of risks in retirement. The following are observations of a few highlighted risks:

1. *Inflation* – Having savings keep up with inflation is a top concern, but one where trend data suggests that not enough thought is given to it. Also, concerns about inflation have not increased, even though inflation rates were much higher than the last time this survey was done.
2. *Health and long-term care* – These risks are among the top concerns in this study. Research here and in studies of those age 85 or older suggest that Medicare coverage provides more predictability for health care costs resulting in retirees expressing less concern about the possibility of a health event derailing their finances. However, the financial challenges faced with long-term care are not as predictable nor easily handled since they are not covered by Medicare.
3. *Financial Markets* – One factor behind the drop in financial concerns among retirees may have been a robust stock market at the time of this survey, producing an unreasonable sense of financial security. This may have also resulted in retirees being less concerned about depleting savings. It will be interesting to see how these concerns trend in the next survey if the recent volatility in the markets continues.
4. *Death of a Spouse/Partner* - The death of a spouse/partner was less of a concern this year among those in the retired sample. This is not surprising since we saw this pattern in our [85 and older research](#). While the death of a spouse/partner in retirement can hurt finances, it can also reduce expenses.
5. *Fraud* — This issue has been a growing concern among both pre-retirees and retirees this year. (Appendix Table A4). Although the number of scams has been increasing, greater concern may be viewed as a positive development in that there is growing awareness of them which may lead to better prevention of victimization.


The survey covered many other risks in retirement, including low interest rates, a market crash, changes in housing needs, outliving assets, changes in marital status, caregiving, and more.

The problems associated with the COVID-19 pandemic and recent changes in interest rates, equity returns, inflation, and the economy, are still evolving. The nature of their future impacts may change some of the dynamics of these risks in various ways for better or worse.



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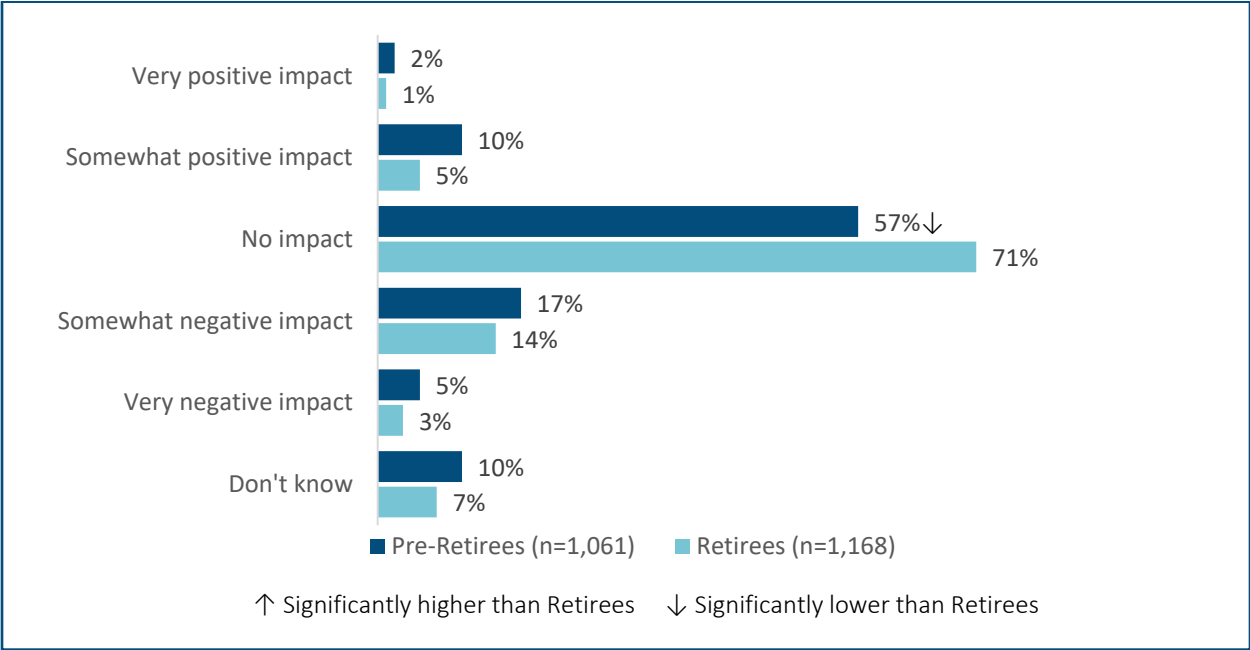




## Appendix

Note that statistics reported in tables sometimes have lower case letters such as (a) or (b) next to them. These letters indicate that the numbers reported are statistically different at the 95% confidence level from the number that appears in the column indicated by that letter.

**Table A1**  
**IMPACT OF PANDEMIC ON FINANCIAL SITUATION**



**Table A2**  
**RETIREMENT CONCERNS – 2019 VS. 2021 PRE-RETIRES AND RETIREES**  
**PERCENT VERY OR SOMEWHAT CONCERNED**

	Pre-Retirees		Retirees	
	2019 Pre-Retirees (n=1,046)	2021 Pre-Retirees (n=1,061)	2019 Retirees (n=1,051)	2021 Retirees (n=1,168)
<b>Economic Risks</b>				
Having investments keep up with inflation	65%	66%	48%	41%↓
Depleting savings	58%	59%	38%	32%↓
Equity in homes paying for retirement	36%	37%	19%	19%
<b>Personal Planning Considerations</b>				
Not being able to afford long-term care	65%	62%	53%	46%↓
Having enough money to pay for health care	63%	61%	44%	32%↓
Keeping same standard of living if spouse/partner were to die	46%	50%	35%	31%↓
Being able to manage finances someday	48%	50%	40%	41%
Spouse/partner maintaining standard of living if they were to die	41%	46%	33%	29%↓
You will not manage your finances well enough to have the money you need later in life	NA	44%	NA	25%
You will make the wrong choices when it comes to Social Security	NA	35%	NA	NA
Leaving money to heirs	31%	34%	23%	20%
That you have not resolved estate planning issues	NA	30%	NA	19%
<b>Unexpected (or Unpredictable) Events</b>				
Being a victim of fraud or a scam	31%	43%↑	36%	47%↑

↑ Significantly higher than 2019    ↓ Significantly lower than 2019

**Table A3**  
**RETIREMENT CONCERNS BY INCOME**  
**PERCENT VERY OR SOMEWHAT CONCERNED**

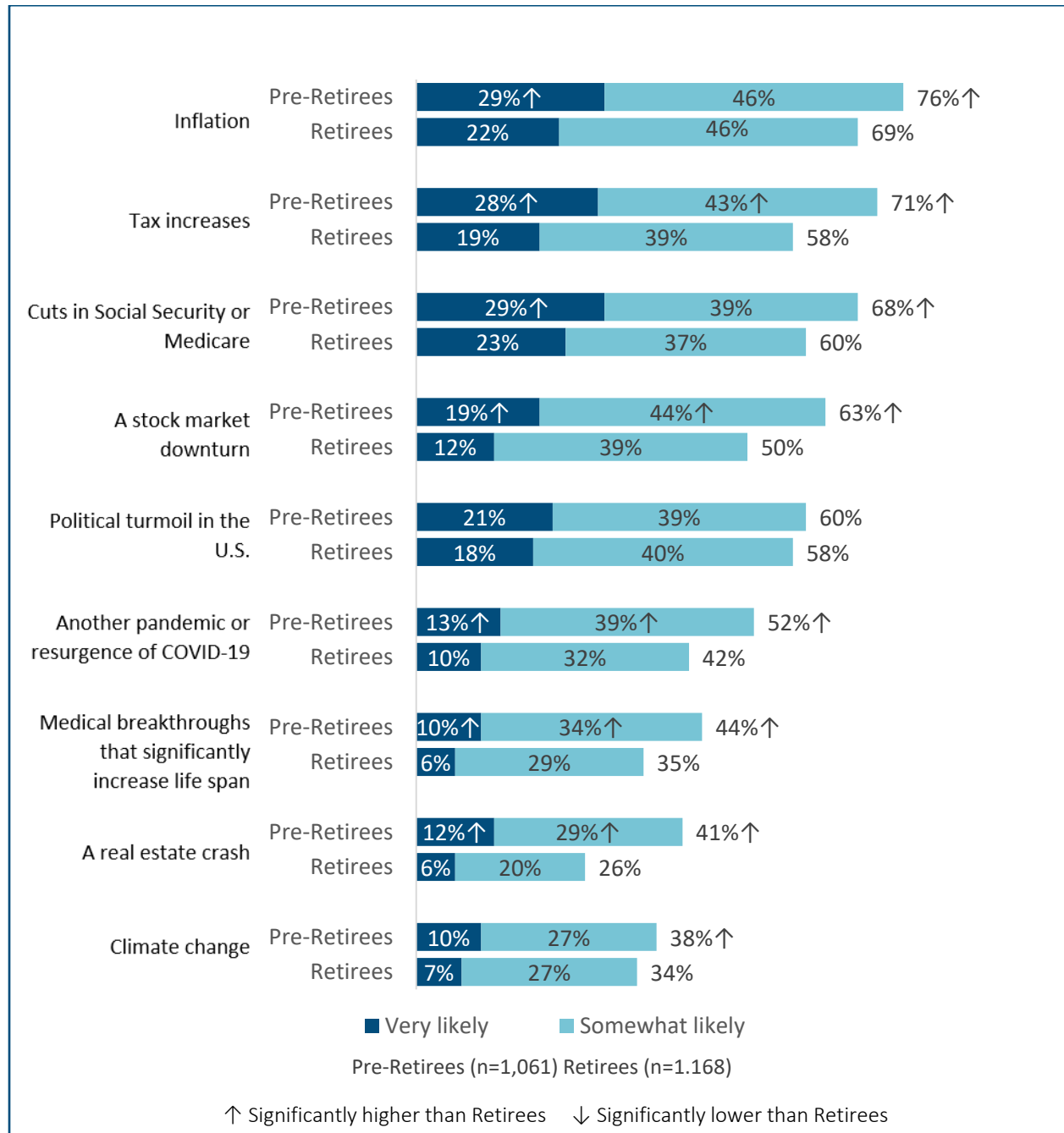
	Pre-Retiree Household Income			Retiree Household Income		
	<\$50,000 (a) (n=267)	\$50,000- \$99,999 (b) (n=331)	\$100,000+ (c) (n=463)	<\$35,000 (d) (n=213)	\$35,000- \$74,999 (e) (n=428)	\$75,000+ (f) (n=527)
<b>Economic Risks</b>						
The value of your savings and investments might not keep up with inflation	76% (c)	73% (c)	58%	53% (f)	48% (f)	27%
You might deplete all of your savings	72% (c)	69% (c)	47%	52% (ef)	38% (f)	15%
The equity you have in your home may not be sufficient to support your retirement plans	53% (c)	45% (c)	27%	31% (f)	24% (f)	7%
<b>Personal Planning Considerations</b>						
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	70% (c)	70% (c)	55%	56% (f)	55% (f)	32%
You might not have enough money to pay for adequate health care	69% (c)	71% (c)	52%	47% (ef)	36% (f)	19%
You might not be able to maintain a reasonable standard of living for the rest of your life	76% (bc)	68% (c)	48%	47% (ef)	35% (f)	15%
You might not be able to maintain the same standard of living after your spouse's/partner's death, if he/she should die first	65% (c)	60% (c)	44%	56% (ef)	39% (f)	20%
There might come a time when you (and your spouse/partner) are incapable of managing your finances	62% (c)	56% (c)	41%	47% (f)	43%	36%
Your spouse/partner might not be able to maintain the same standard of living after your death, if you should die first	62% (c)	57% (c)	37%	62% (ef)	36% (f)	16%
You may not be able to stay in your home	62% (bc)	44% (c)	29%	41% (f)	30% (f)	21%
You will not manage your finances well enough to have the money you need later in life	56% (c)	51% (c)	34%	39% (f)	30% (f)	11%
You will make the wrong choices when it comes to Social Security	52% (bc)	40% (c)	25%	N/A	N/A	N/A
You might be more socially isolated (in the years to come/when you stop working)	48% (bc)	38%	36%	40%	35%	32%
You might not be able to leave money to your children or other heirs	48% (c)	42% (c)	25%	36% (ef)	21% (f)	8%
That you have not resolved estate planning issues	36% (c)	36% (c)	25%	18%	23%	17%
<b>Unexpected (or Unpredictable) Events</b>						
You might be a victim of a fraud or scam	58% (bc)	46% (c)	35%	54% (f)	51% (f)	40%

**Table A4**  
**FRAUD CONCERNS – 2019 VS. 2021 PRE-RETIRES AND RETIREES**  
**PERCENT VERY OR SOMEWHAT CONCERNED**

	Pre-Retirees		Retirees	
	2019 Pre-Retirees (n=1,046)	2021 Pre-Retirees (n=1,061)	2019 Retirees (n=1,051)	2021 Retirees (n=1,168)
NET: Very or Somewhat Concerned	31%	43%↑	36%	47%↑
NET: Not too or Not at all Concerned	69%	57%↓	64%	53%↓
Very concerned	8%	13%↑	10%	11%
Somewhat concerned	23%	30%↑	27%	36%↑
Not too concerned	40%	37%	38%	33%
Not at all concerned	29%	20%↓	25%	19%↓

↑ Significantly higher than 2019    ↓ Significantly lower than 2019

**Table A5**  
**LIKELIHOOD EVENTS WILL AFFECT RETIREMENT SECURITY**  
**PERCENT VERY OR SOMEWHAT LIKELY**



**Table A6**  
**PREPAREDNESS FOR FUTURE FINANCIAL EVENTS BY INCOME**

	Retiree Household Income		
	<\$35,000 (d) (n=213)	\$35,000-\$74,999 (e) (n=428)	\$75,000+ (f) (n=527)
Very/Somewhat Prepared	63%	84% (d)	95% (de)
Net: Not Too/At All Prepared	37% (ef)	16% (f)	5%
Very prepared	10%	25% (d)	41% (de)
Somewhat prepared	53%	59%	55%
Not too prepared	27% (ef)	14% (f)	4%
Not at all prepared	10% (ef)	2%	1%



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## About The Society of Actuaries Research Institute

Serving as the research arm of the Society of Actuaries (SOA), the SOA Research Institute provides objective, data-driven research bringing together tried and true practices and future-focused approaches to address societal challenges and your business needs. The Institute provides trusted knowledge, extensive experience and new technologies to help effectively identify, predict and manage risks.

Representing the thousands of actuaries who help conduct critical research, the SOA Research Institute provides clarity and solutions on risks and societal challenges. The Institute connects actuaries, academics, employers, the insurance industry, regulators, research partners, foundations and research institutions, sponsors and non-governmental organizations, building an effective network which provides support, knowledge and expertise regarding the management of risk to benefit the industry and the public.

Managed by experienced actuaries and research experts from a broad range of industries, the SOA Research Institute creates, funds, develops and distributes research to elevate actuaries as leaders in measuring and managing risk. These efforts include studies, essay collections, webcasts, research papers, survey reports, and original research on topics impacting society.

Harnessing its peer-reviewed research, leading-edge technologies, new data tools and innovative practices, the Institute seeks to understand the underlying causes of risk and the possible outcomes. The Institute develops objective research spanning a variety of topics with its [strategic research programs](#): aging and retirement; actuarial innovation and technology; mortality and longevity; diversity, equity and inclusion; health care cost trends; and catastrophe and climate risk. The Institute has a large volume of [topical research available](#), including an expanding collection of international and market-specific research, experience studies, models and timely research.

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