

Changing Retirement Behavior in the Wake of the Financial Crisis

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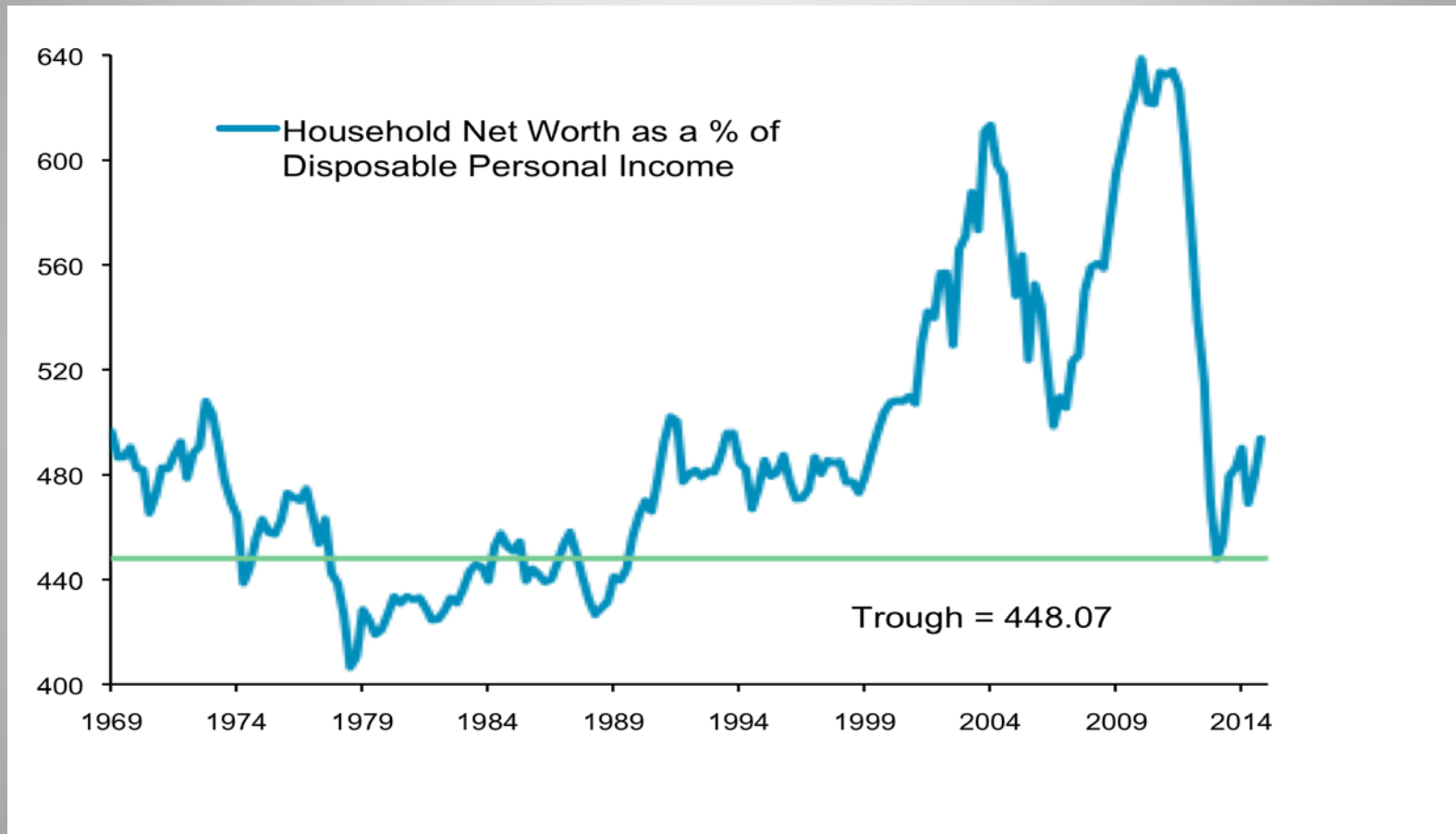
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Household Net Worth Has Been Hit Hard



Source: Federal Reserve Board, Flow of Funds Accounts

Older Households Vulnerable on Eve of Crisis

Part I

Table 2
Selected Assets by Age: Ownership, Holdings, and Portfolio Shares
 2007 Survey of Consumer Finances

	Equity			Residential Real Estate			Other Financial Assets		
	Share owning	Median for owners		Share owning	Median for owners		Share owning	Median for owners	
		Thous \$	Share of assets		Thous \$	Share of assets		Thous \$	Share of assets
< 35	.39	7	.06	.42	175	.79	.89	5	.10
35-44	.54	26	.09	.69	215	.71	.93	14	.08
45-54	.61	45	.11	.79	245	.67	.93	28	.11
55-64	.59	78	.15	.83	235	.58	.97	39	.13
65-74	.52	59	.10	.86	200	.62	.96	42	.14
75+	.40	41	.12	.79	150	.66	.97	29	.21

Source: Federal Reserve Board, Survey of Consumer Finances

Older Households Vulnerable on Eve of Crisis

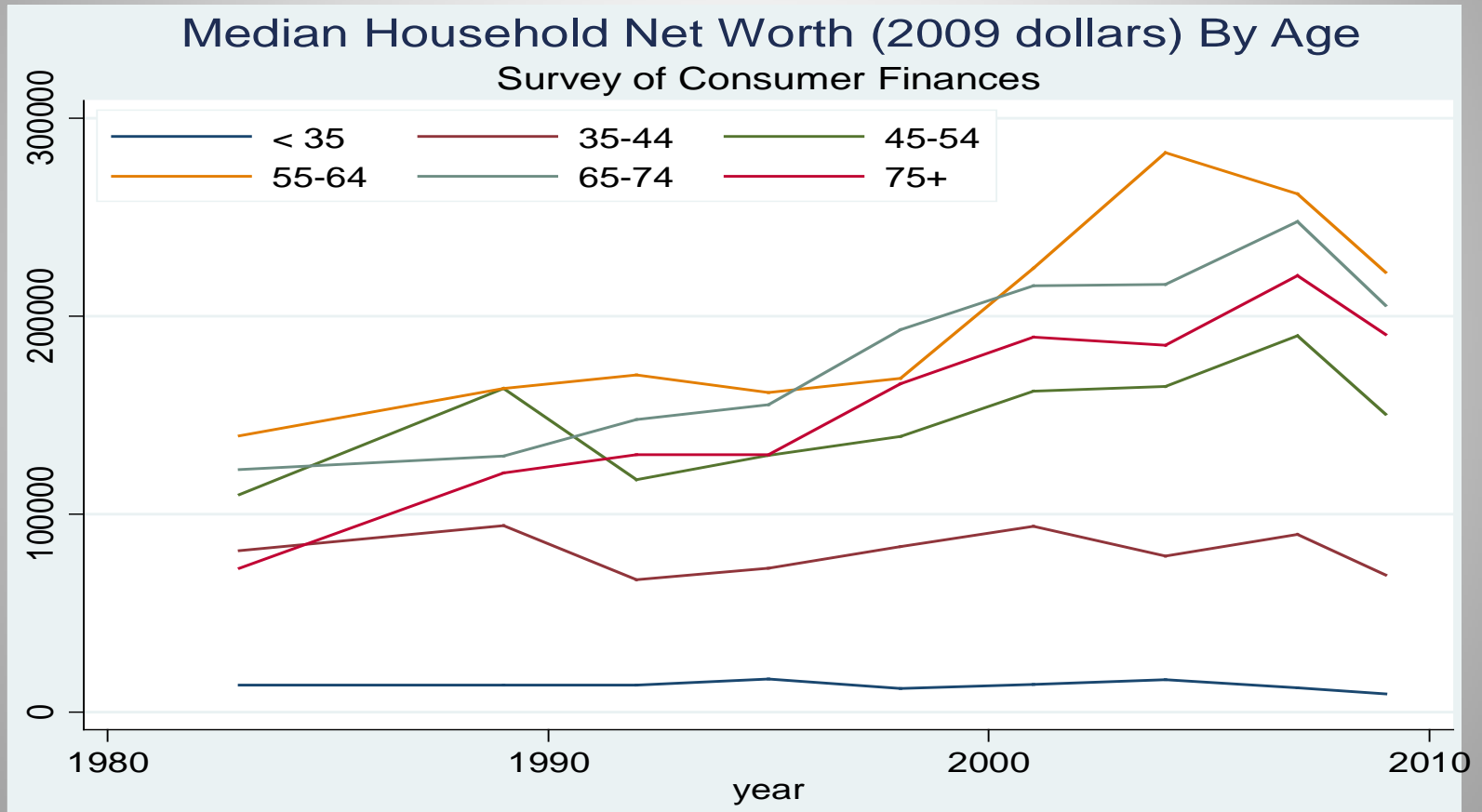
Part II

Table 4
Distribution of Selected Assets and Debt by Age
 2007 Survey of Consumer Finances

	Equities	Residential real estate	Other financial assets	Debt	Memo: Population Share
<35	.02	.09	.03	.19	.22
35-44	.10	.17	.10	.26	.20
45-54	.24	.25	.25	.28	.21
55-64	.31	.23	.29	.19	.17
65-74	.21	.15	.19	.08	.11
75 +	.12	.10	.14	.02	.11

Source: Federal Reserve Board, Survey of Consumer Finances

Pre-Retirement Households Experienced the Biggest Boom and Bust



Source: Federal Reserve Board, Survey of Consumer Finances

And the Survey Says.....

Consumption/Saving

Mixed results: CRR survey showed 2/3 reporting no increase in contributions to retirement accounts. SCF showed a majority saying they would spend less/increase precautionary saving

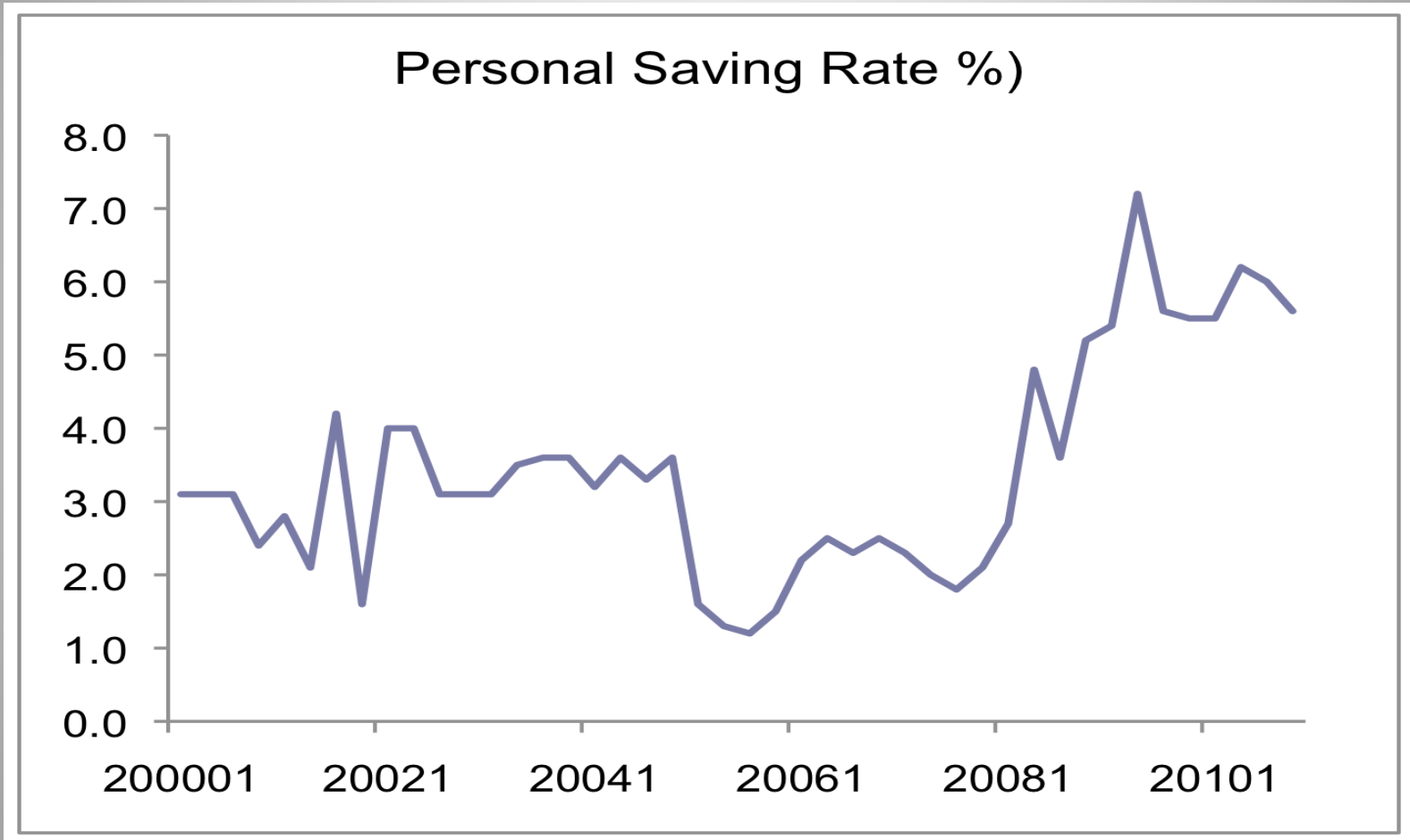
Working Longer

All surveys agree: CRR: 40% delaying retirement an average of 4+ years, SCF reporting 2/3 delaying retirement 1+ years, EBRI shows steady increase in retirement delays, 25% expecting to retire after 70.

Changing Financial Behavior

CRR shows 30% shifting away from equity investments, SCF shows reduced self-reported reduction in risk tolerance.

Households Have Been Saving More



Source: Bureau of Economic Analysis

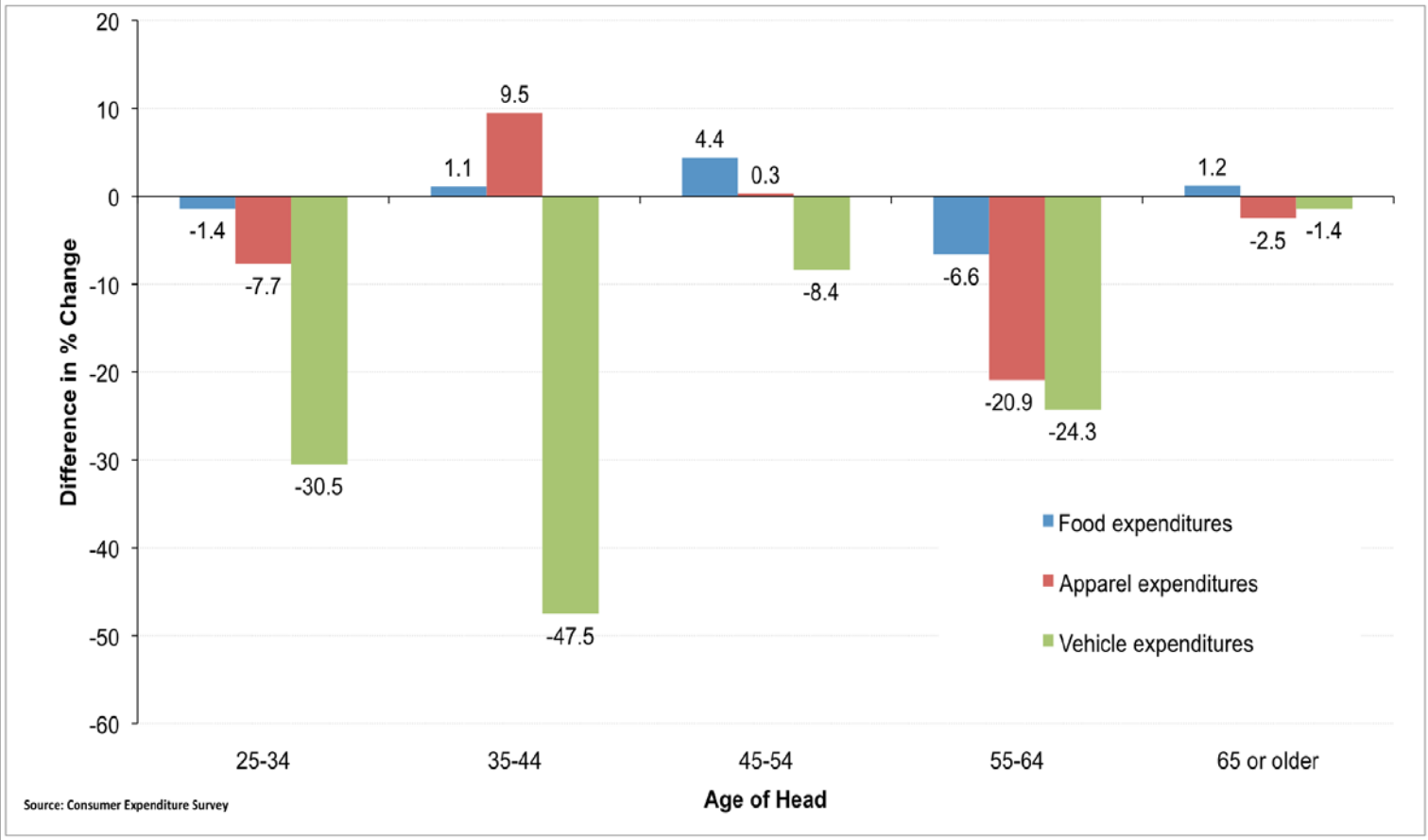
Older Households Cut Spending Aggressively

Table 6
Changes in Real Spending and Income Relative to Cycle Peak

	(1) Age of head	(2) 2000-2002 % change	(3) 2007-2009 % change	(4) Difference in changes
Non-housing consumption	25-34	-1.6	-7.9	-6.3
	35-44	1.7	-7.7	-9.4
	45-54	.1	-2.2	-2.3
	55-64	6.6	-8.3	-14.8
	65 +	1.4	-1.7	-3.1
After-tax income	25-34	4.5	-.5	-5.1
	35-44	5.4	-2.8	-8.2
	45-54	6.8	-2.9	-9.7
	55-64	7.0	-4.0	-11.0
	65 +	14.1	-4.4	-18.5

Source: Consumer Expenditure Survey, Authors' Calculations

Selected Categories of Consumption by Age Change in Current Cycle (07-09) Relative to Previous Cycle (00-02)



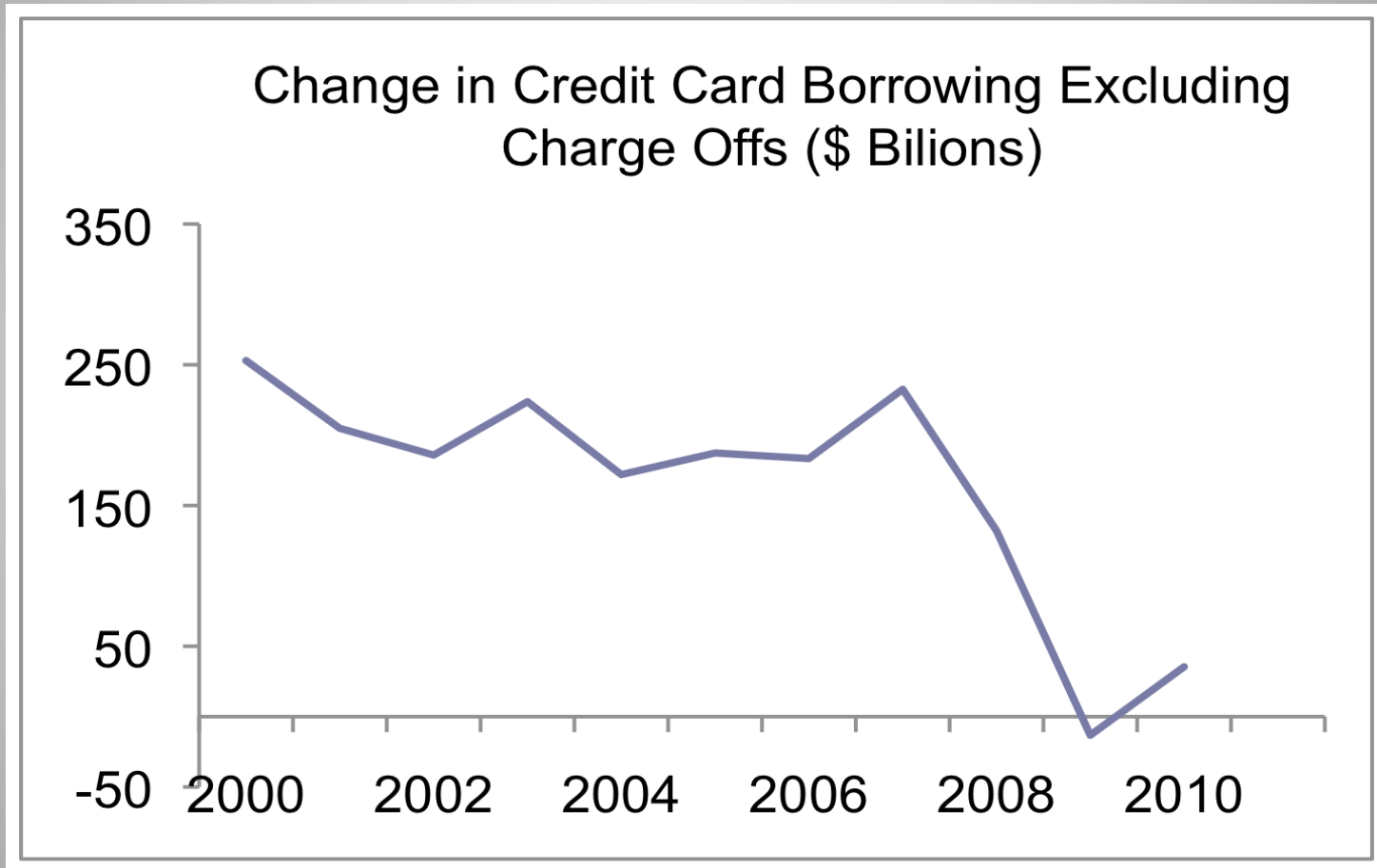
Source: Consumer Expenditure Survey, Authors' Calculations

Older Workers Working Longer

	Current	Change May 2007-Oct 2009	Current Cycle Minus Average of Post-War Cycles
Unemployment Rate			
All	8.9	5.6	2.5
16-24	17.7	8.8	4.1
25-34	9.4	6.4	3.2
35-44	7.4	5.7	3.2
45-54	7.0	4.7	2.5
55+	6.4	4.0	1.9
Male Labor Force Participation Rates			
All	70.5	-1.6	-1.2
16-24	56.4	-4.3	-3.5
25-34	89.3	-2.1	-2.0
35-44	91.4	-1.0	-0.8
45-54	86.0	-0.6	-0.5
55+	46.0	1.3	2.0

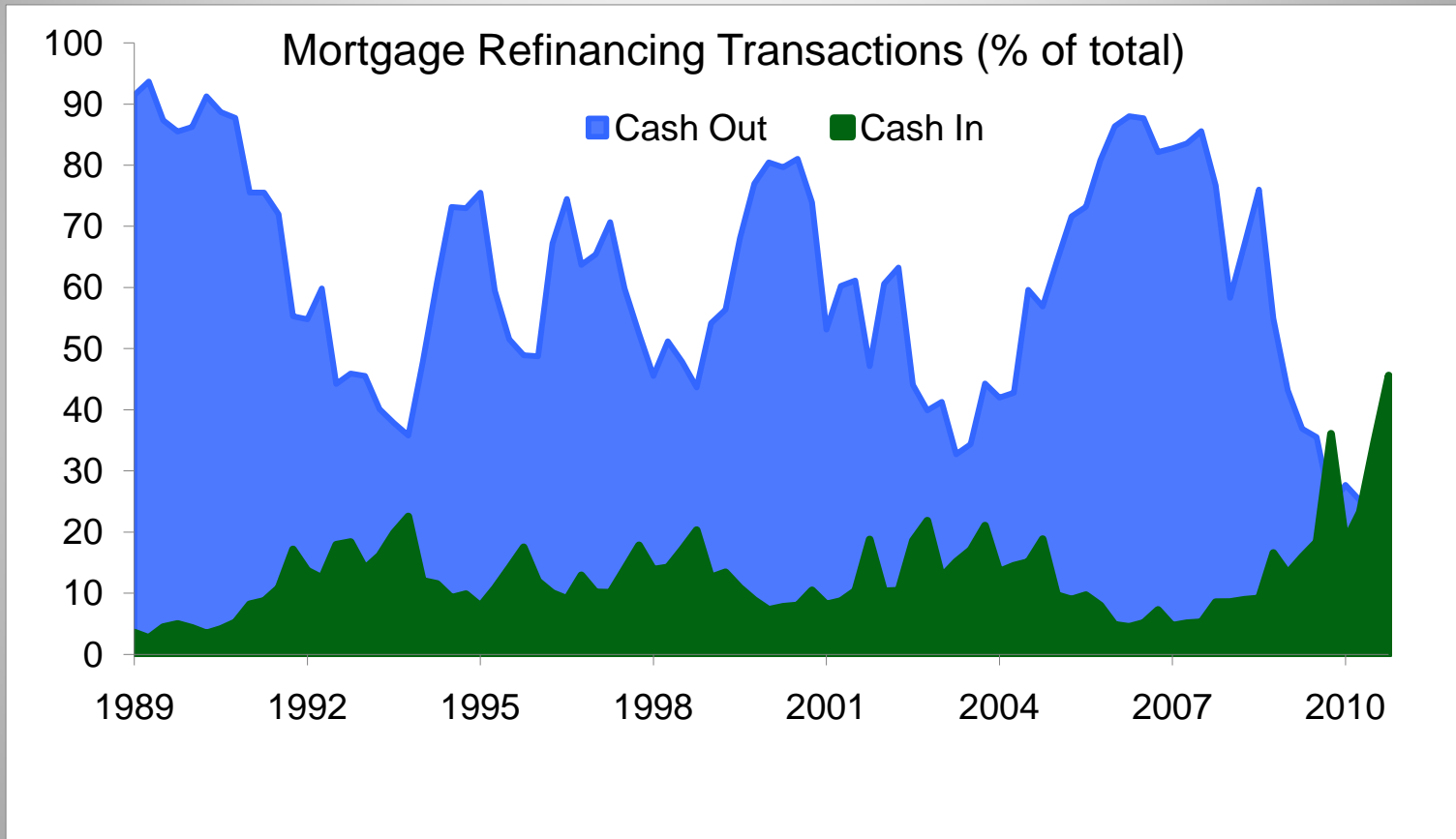
Source: Bureau of Labor Statistics, Authors' Calculations

Households Changing Financial Decisions Part I



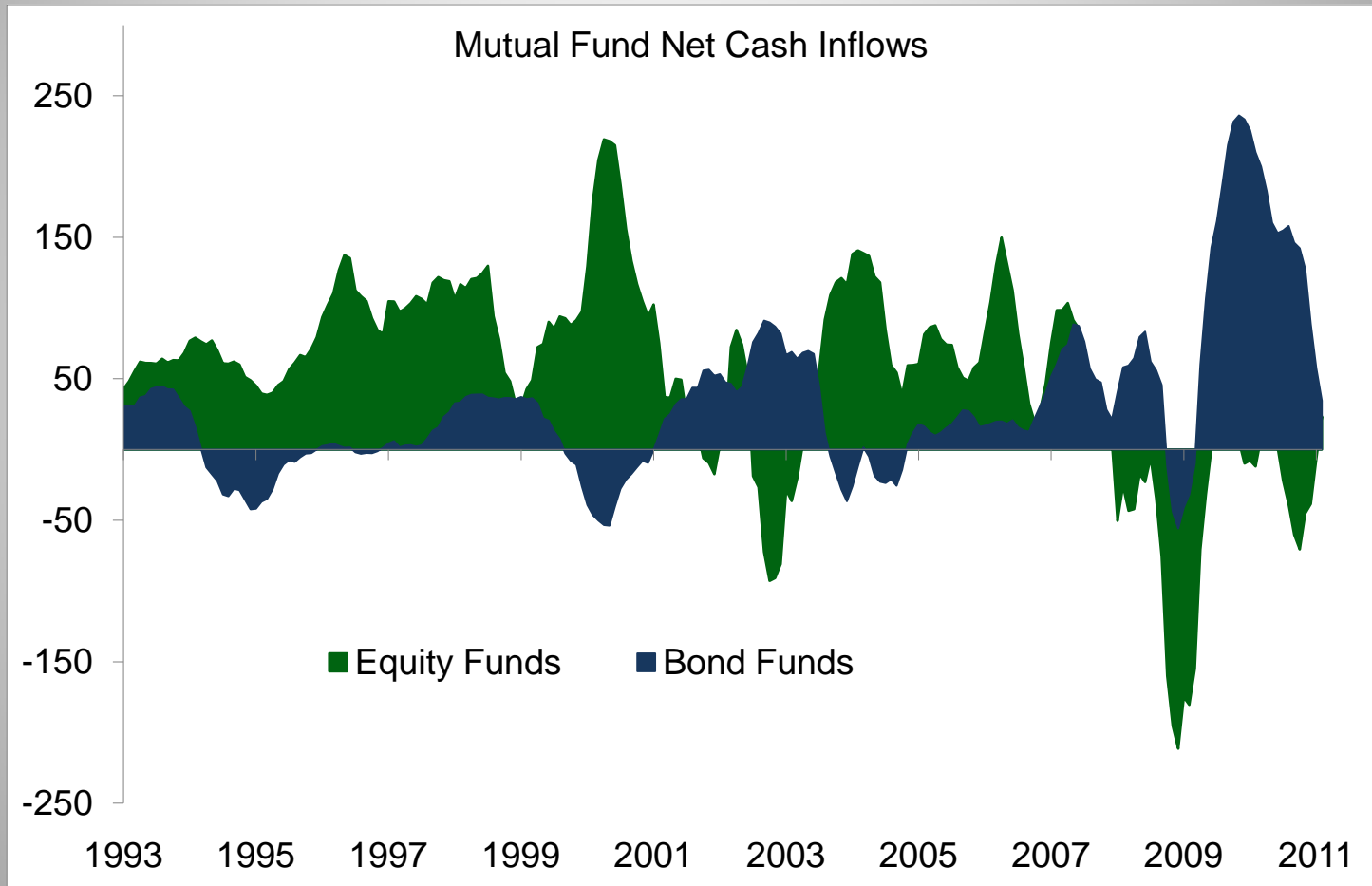
Source: Brown, Haughwout, Lee, and van der Klaauw, 2011

Households Changing Financial Decisions Part II



Source: Freddie Mac

Households Changing Financial Decisions Part III

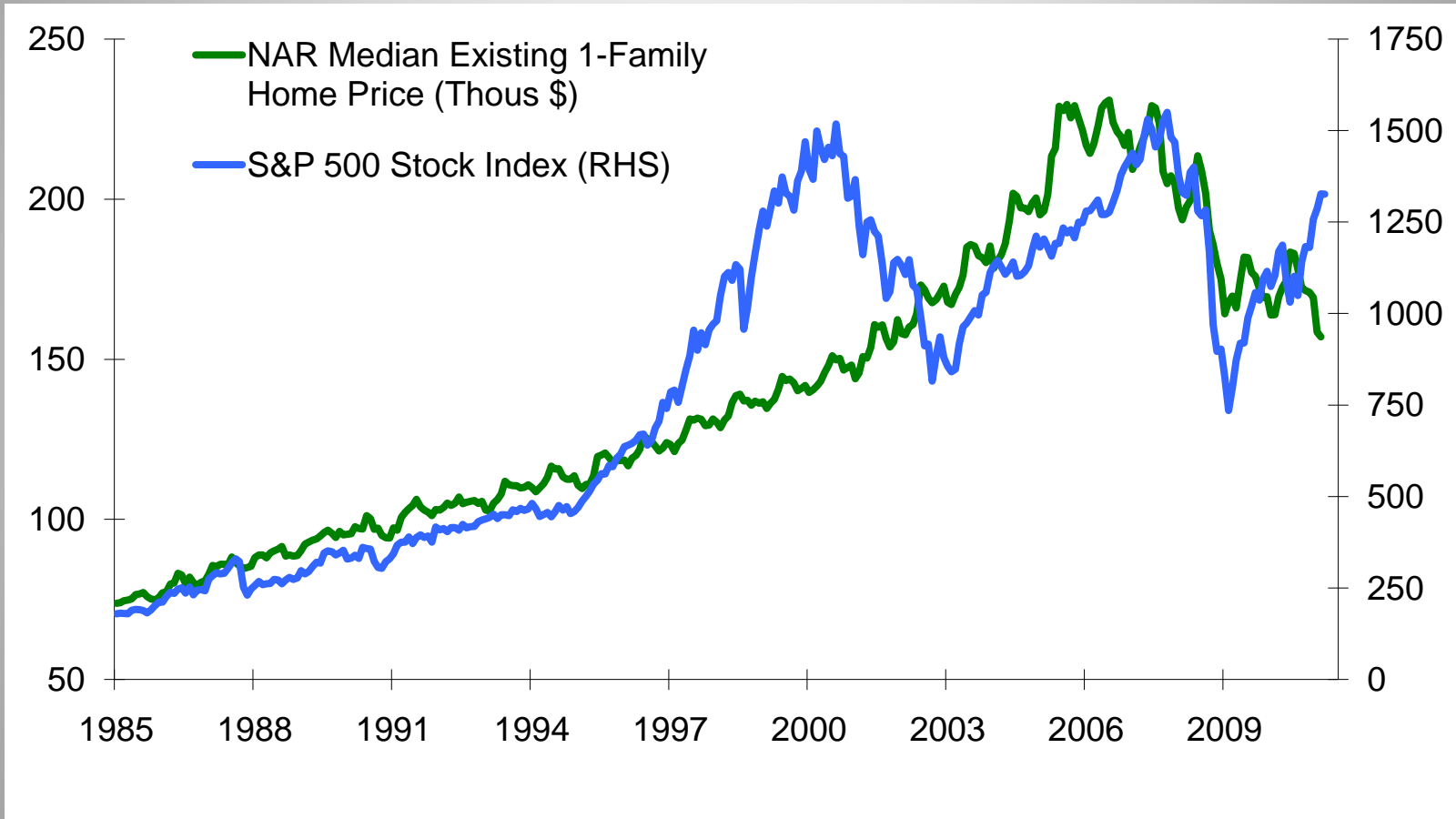


Source: Investment Company Institute

Conclusions

- Older household were hit hardest by the collapse in asset values that resulted from the financial crisis and are being forced into a recalibration of their life-cycle choices
- The data support the surveys that significant adjustments are being made on all margins.
- The decisions are of macroeconomic importance given the dominant share of resources controlled by older households, and these adjustments are ongoing

The Saga Continues...



Source: Standard & Poor's, National Association of Realtors