

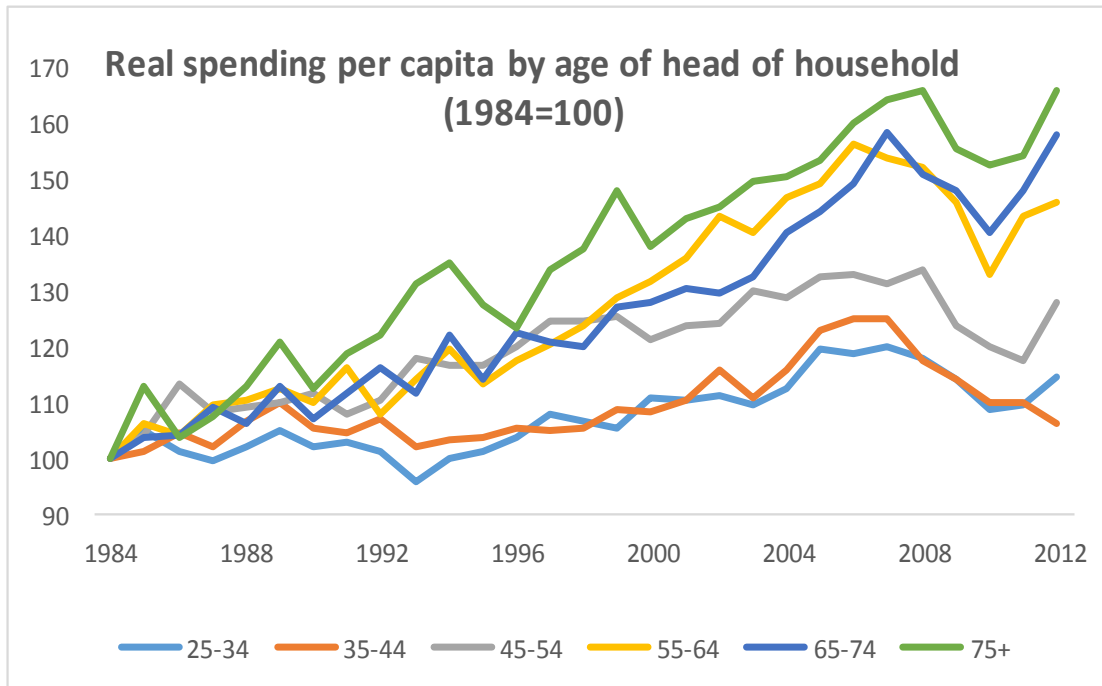
The Changing Nature of Retirement

JULIA LYNN CORONADO

PENSION RESEARCH COUNCIL SPRING SYMPOSIUM

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Older households faring better



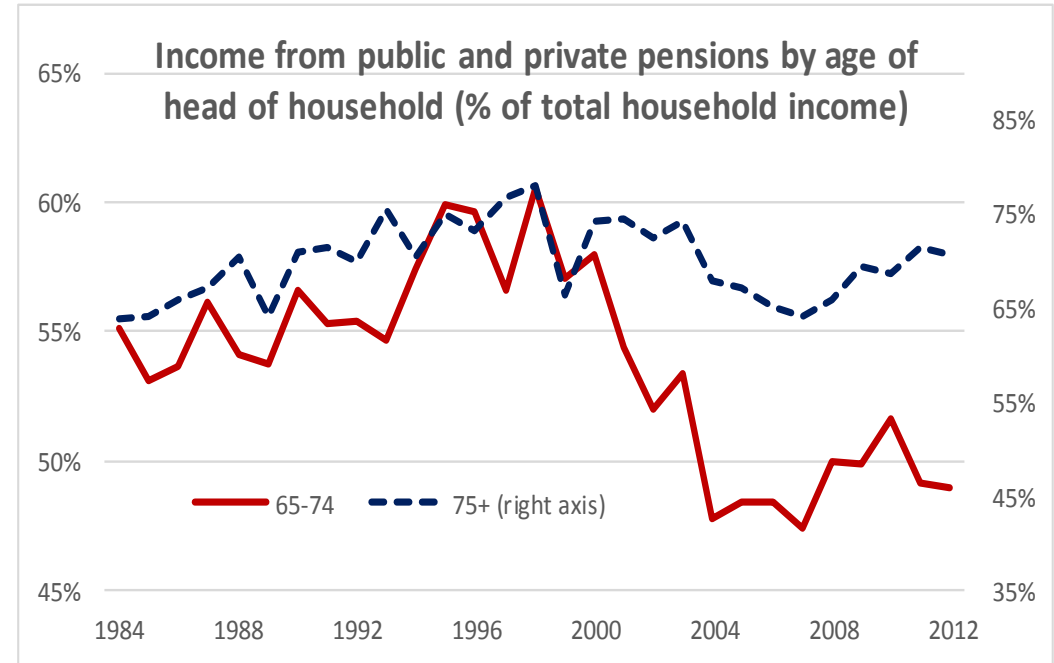
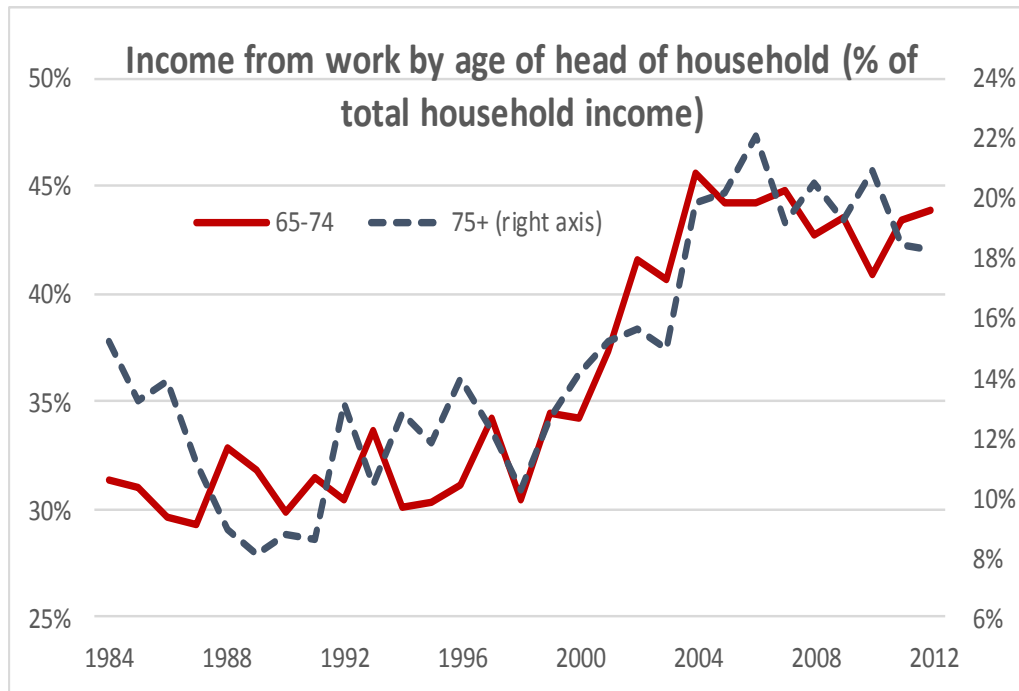
Real per capita spending				
Age of head of household	2012 vs. 1984	2012 vs. 2007	1984 level (\$ 2009)	2012 level (\$ 2009)
25-34	15%	-4%	\$ 14,550	\$ 16,691
35-44	6%	-15%	\$ 15,164	\$ 16,111
45-54	28%	-2%	\$ 16,916	\$ 21,697
55-64	46%	-5%	\$ 17,105	\$ 24,992
65-74	58%	0%	\$ 15,237	\$ 24,090
75+	66%	1%	\$ 12,703	\$ 21,086

Source: Bureau of Labor Statistics, Consumer Expenditure Survey

The windfall versus the lost generation?

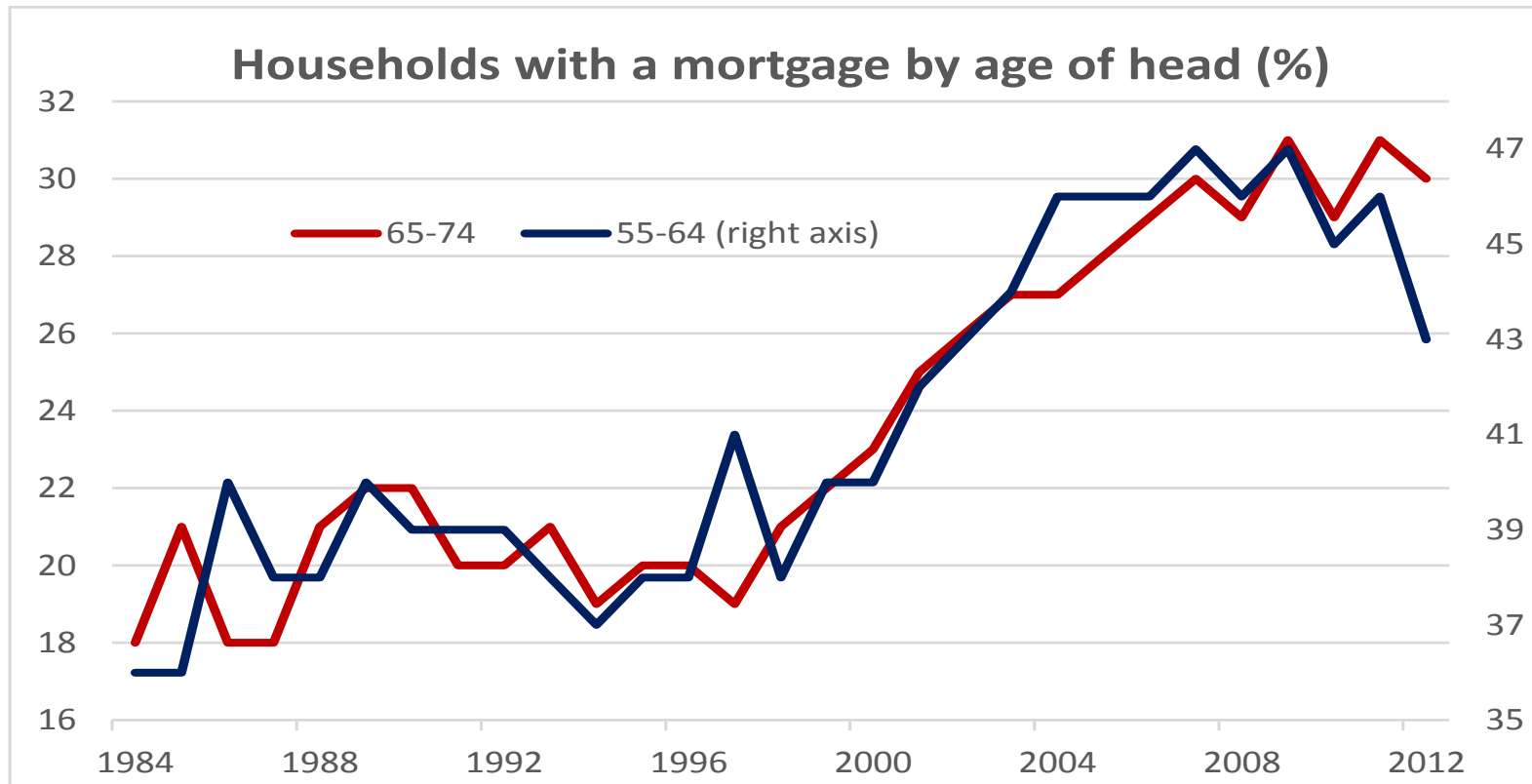
- ▶ The standard of living of all households has improved over the past thirty years
- ▶ Older households have seen the greatest improvement
- ▶ Standards of living have stagnated since the Great Recession
- ▶ Older households have fared better than younger households

Older households singing for their supper



Source: Bureau of Labor Statistics, Consumer Expenditure Survey

Greater obligations at older ages



Source: Bureau of Labor Statistics, Consumer Expenditure Survey

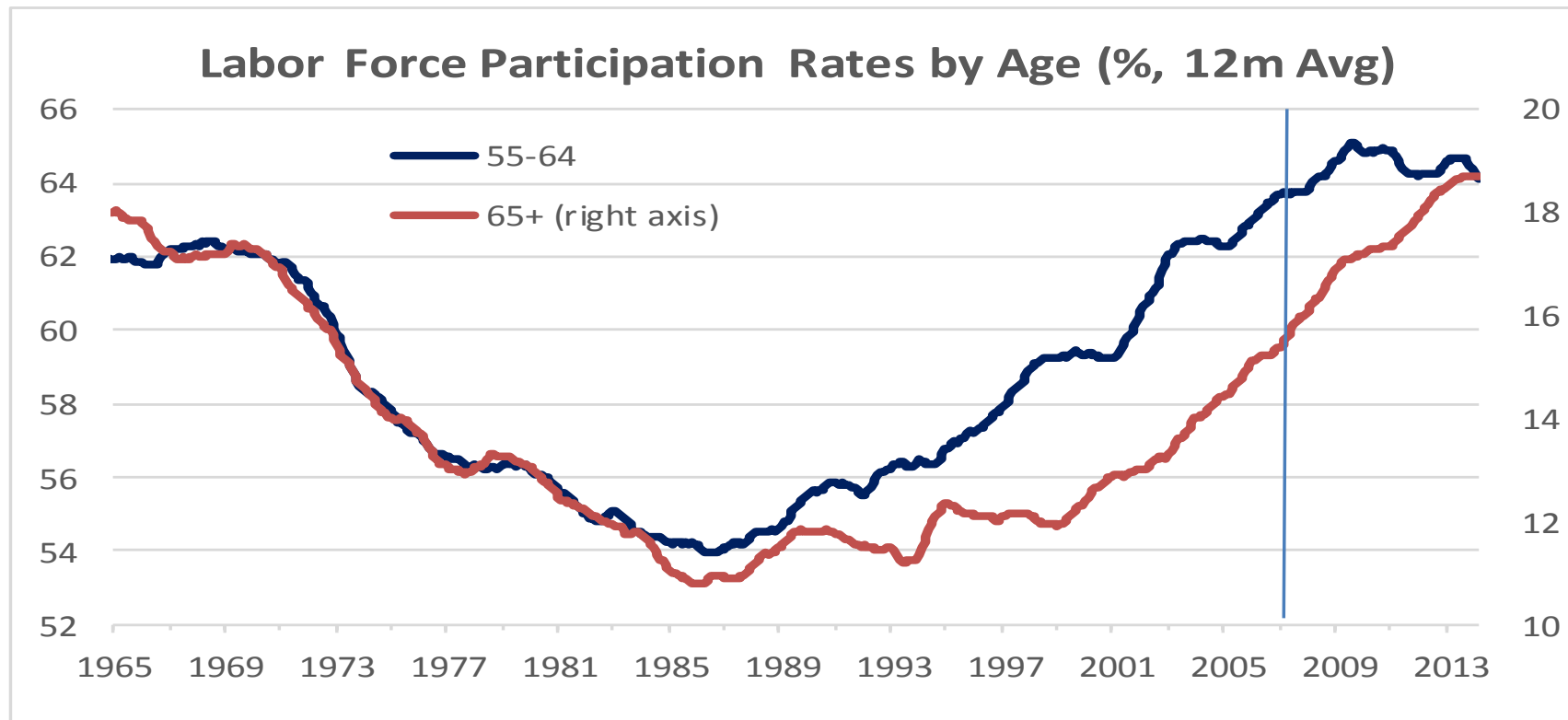
Apparent conundrums in retirement surveys

- ▶ Conundrum #1: The fraction of workers reporting they plan on working in retirement (more than two thirds) is substantially higher than the fraction of current retirees who are actually working (less than a third).
- ▶ Conundrum #2: The age of expected retirement reported by workers is notably later than actual retirement ages: About half of all workers say they will retire after age 65 or never, while that is true for only a quarter of the current older population.

Possible resolutions of the conundrums

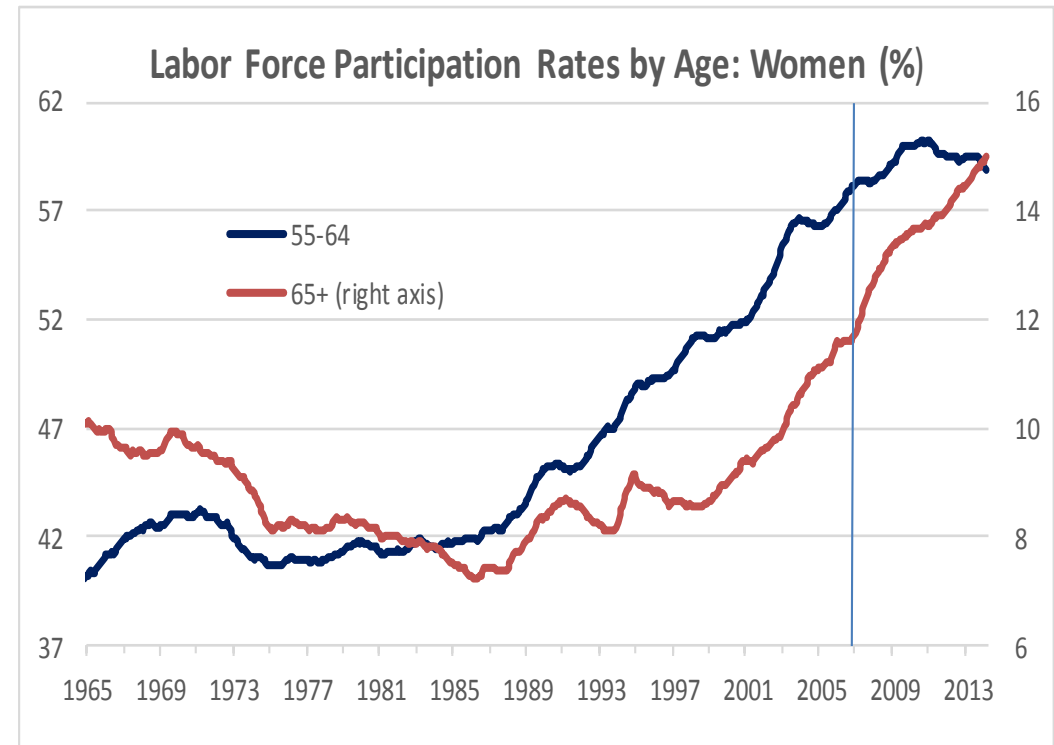
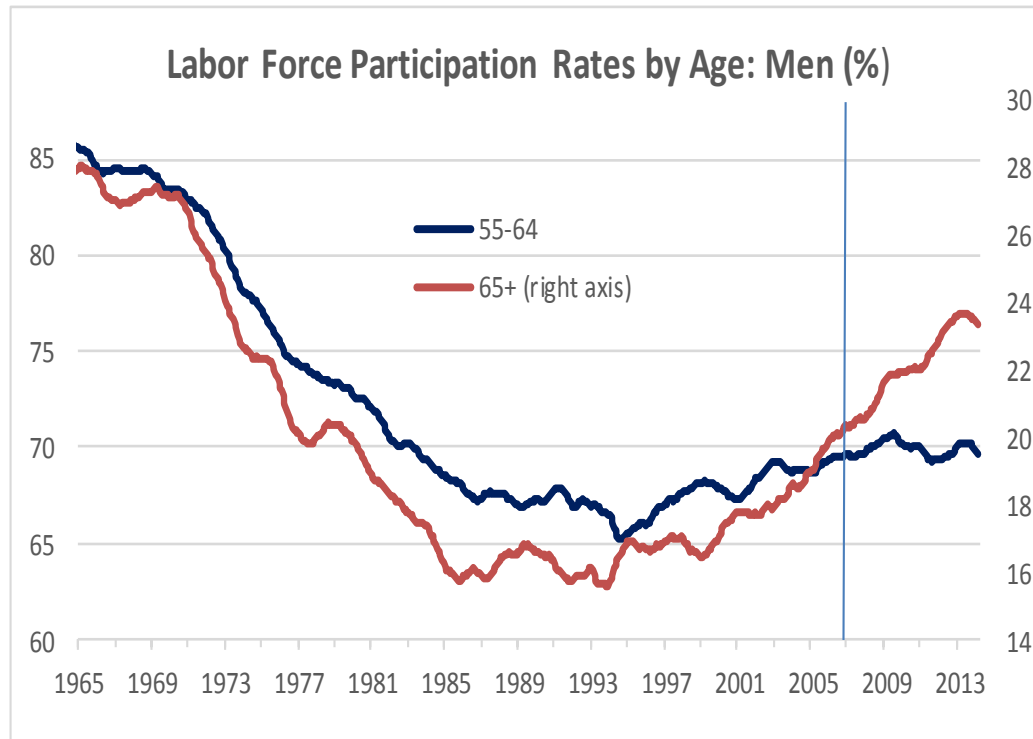
- ▶ The retirement experience is changing rapidly, and will be dramatically different for current workers than for current retirees.
- ▶ People assume they can work when they want, but the lack of demand for labor and rapidly changing skill requirements and distribution of jobs means earlier retirements than planned and less opportunity to work at older ages.
- ▶ People do such an excellent job of preparation that they find themselves able to retire earlier/work less than expected.

Trend toward later retirements arrested after Great Recession



Source: Bureau of Labor Statistics, Current Population Survey

Change in labor force participation mainly among women



Can older people work when they want?

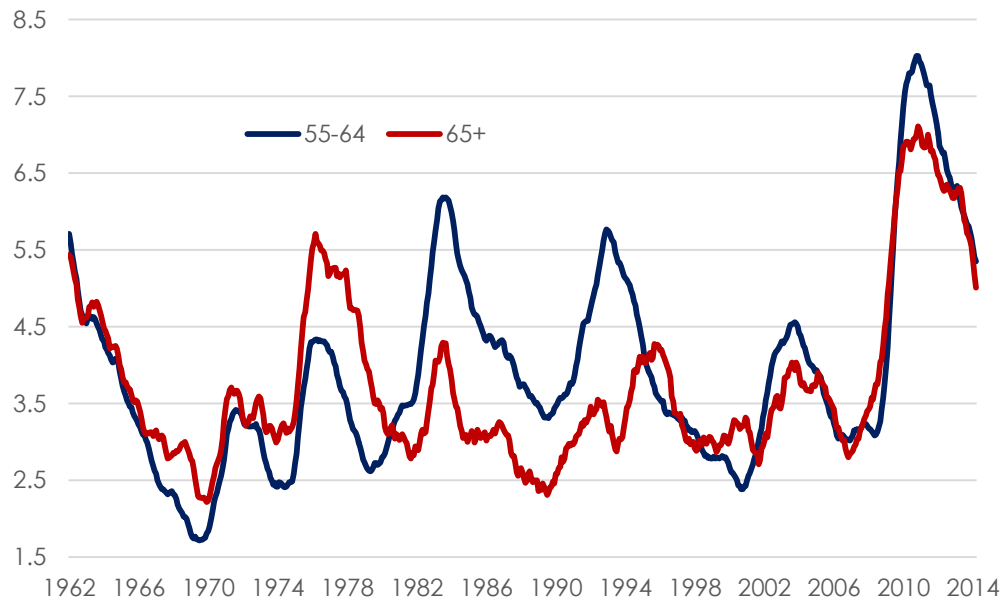
- ▶ The trend toward increased labor force participation flattened out in 2009
- ▶ The upward trend, and the 2009 shift, was driven by women 55-64. Women 65+ still working longer. Men saw a downward trend in participation that stabilized in the mid 1980s. It then turned to an uptrend for men 65+ but held steady for those aged 55-64.
- ▶ Does the shift in trend after the Great Recession suggest forced retirement or is it simply the natural stabilization after a shift in behavior?

More retirees say their plans were interrupted

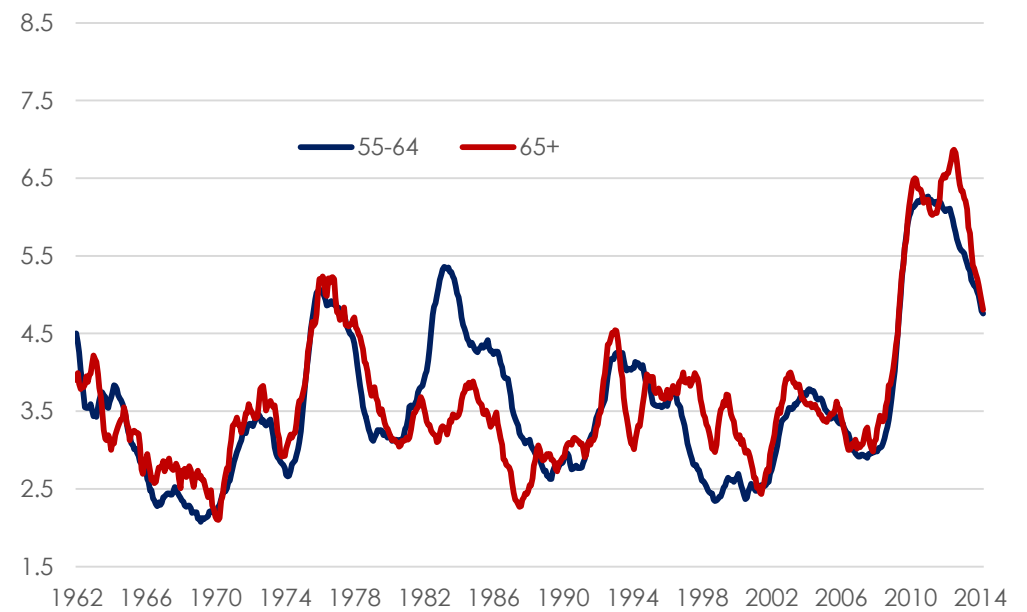


Still high levels of unemployment

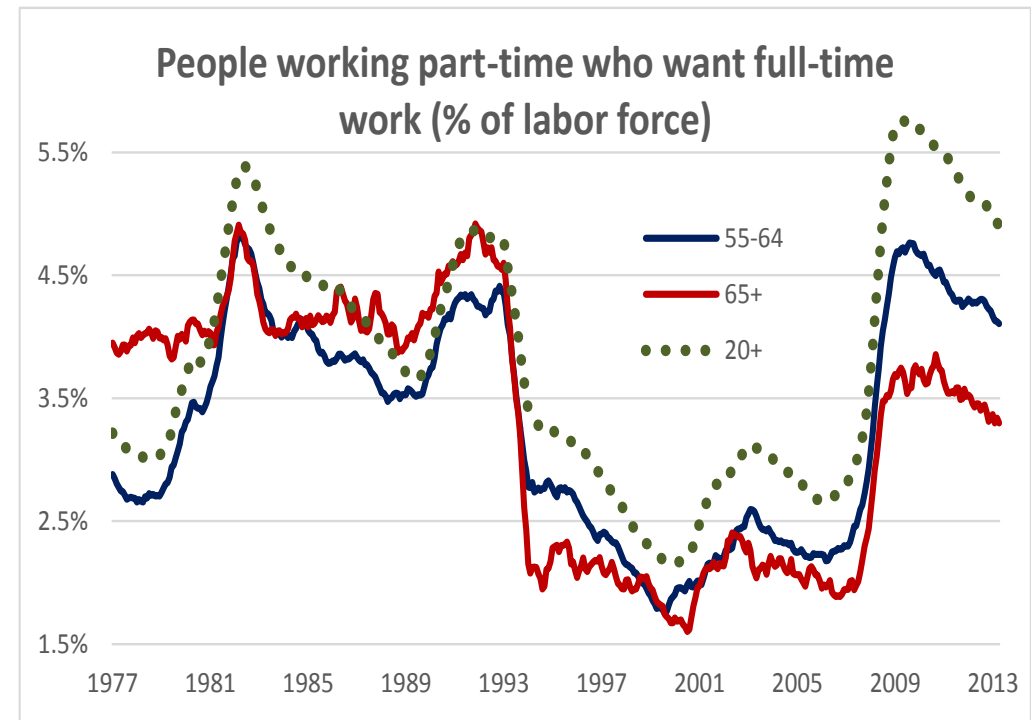
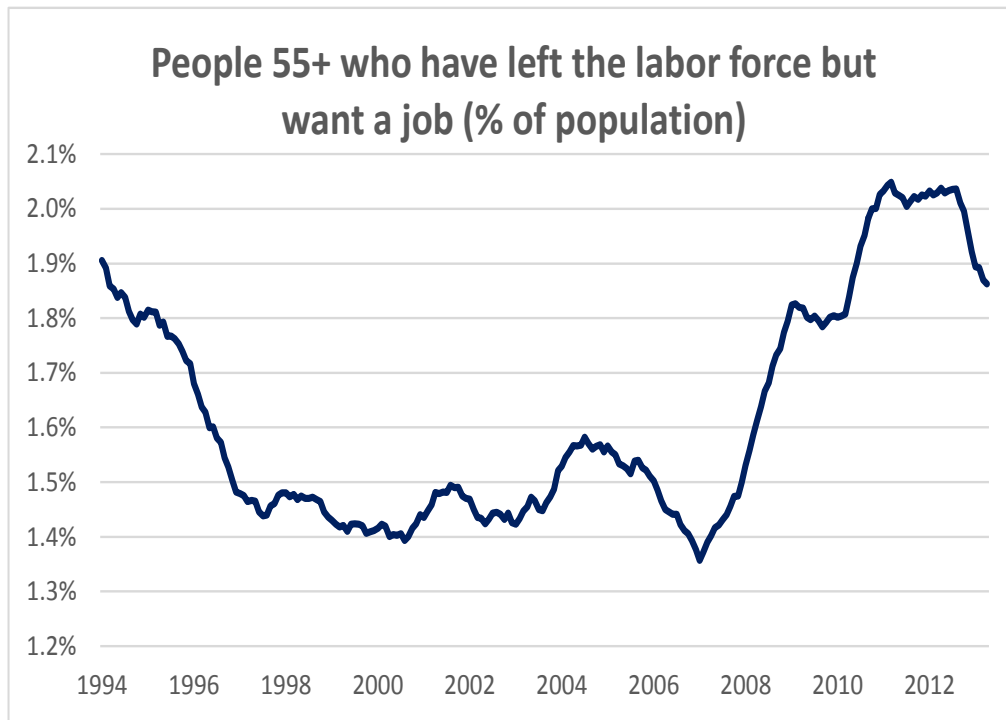
Unemployment Rates by Age: Men



Unemployment Rates by Age: Women



Some evidence of underemployment



No, not everyone can find work when they want it

- ▶ Both men and women have experienced greater, and more lasting levels of unemployment in recent years. Men's unemployment has historically been highly cyclical, women's less so. This time no one was spared. Lower shares of people working is clearly partly involuntary.
- ▶ The share of older people who have left the labor force but still want to work has risen, this can account for some, but not all, of the flattening trend in participation rates among older workers.
- ▶ Part-time workers wanting full-time work are elevated by historical standards for everyone, although less so for older workers.

Conclusions and implications

- ▶ Everyone has seen their standard of living increase in recent decades, particularly current retirees. Some flattening out in the pace of improvement, or even give back of cumulated gains is not the worst outcome.
- ▶ Future retirees will not fare as well as current ones. They are entering retirement with more obligations and less insurance.
- ▶ More people are planning on working longer to protect their standard of living, which is sensible and likely to continue, but people need to be aware that work is not always an option. Income insecurity is probably permanently higher.
- ▶ It should become a rule of thumb that people plan on paying off their mortgage by age 55, fewer obligations mean less vulnerability to shocks—no financial sophistication required.