

The Financial Vulnerabilities of Retirees Before and During the COVID-19 Pandemic

New study examines how retirees are financially faring in retirement

LOS ANGELES – September 03, 2020 – Despite the ongoing pandemic, three in four retirees (75 percent) say their confidence in their ability to maintain a comfortable lifestyle through retirement has stayed the same, according to a study released today by nonprofit Transamerica Center for Retirement Studies® (TCRS). While this stability in retirement confidence seems to be good news, it should also be underscored that only 29 percent are “very confident” in their ability to do so.

Retirees and Retirement Amid COVID-19 is based on findings from TCRS’ 20th Annual Retirement Survey, which comprises a supplemental survey conducted in June 2020 and a broader survey in late 2019. The research examines retirees’ finances before and during the pandemic, and their preparations during their working years.

How Retirees Are Faring Amid the Pandemic

“Retirees, in some ways, may be more resilient in this economic downturn than employed workers. Most have guaranteed income in the form of Social Security and access to health insurance coverage through Medicare. Unlike employed workers, most retirees do not have a job to lose,” said Catherine Collinson, CEO and president of Transamerica Institute® and TCRS. “Nevertheless, they are still susceptible to both the health and economic effects of the pandemic.” The June 2020 survey yields these insights:

- **Nine in 10 retirees are generally happy** and have close relationships with families and/or friends (both 91 percent). Eighty-four percent are enjoying life. However, some are struggling, including those who feel isolated and lonely (20 percent), have trouble making ends meet (21 percent), or often feel anxious and depressed (24 percent).
- **Retirees are taking care of their health – but can do more.** Fifty-three percent eat healthily, 52 percent exercise regularly, and 62 percent get plenty of rest. Fewer than seven in 10 indicate they seek medical attention when needed (69 percent).
- **Fewer than six in 10 retirees would rely on savings if their finances are negatively impacted by the pandemic (56 percent).** Other often mentioned sources include: credit cards (18 percent), withdrawals from retirement accounts (18 percent), and CARES Act stimulus money (18 percent).
- **Many retirees cite paying off some form of debt as a financial priority (45 percent).** One in three cite building emergency savings as a priority and 23 percent are just getting by to cover basic living expenses.
- **Relatively few retirees have set forth legal documents outlining their wishes and designating a trusted individual to make decisions on their behalf.** Only 32 percent have established a power of attorney for health care, 30 percent have an advance directive, and 28 percent have a financial power of attorney.
- **Plans for long-term care, if needed:** A concerning 21 percent do not have any plans in place if their health declines and they need help with their daily activities, while 19 percent say they have not thought about it. Forty-one percent say they would rely on family and friends, 19 percent would move to an assisted living community and/or nursing home, and 17 percent would use a professional, in-home paid caregiver.

“Retirees can and should be taking more steps to safeguard their health and financial well-being. However, they may find it difficult while sheltering in place. Now more than ever before, they may need extra encouragement and support from their families and friends,” said Collinson.

Before the Pandemic: Retirees' Financial Vulnerabilities

“Many retirees were forced into retirement before they were ready, which shortened their working years, extended their time in retirement, and left them more financially vulnerable,” said Collinson. “Retirees have been getting by, but they risk outliving their savings.” The late 2019 survey findings illustrate their situation:

- **Almost six in 10 retired sooner than planned (58 percent).** Among them, 51 percent cited employment-related reasons such as job loss, organizational changes, general unhappiness, or an incentive or buyout. Forty-eight percent cited ill-health and/or family-related reasons. Retirees retired at age 63 (median).
- **Sixty-nine percent of retirees indicate that Social Security will be their primary source of income throughout their retirement.** Those who are currently receiving benefits started at age 62 (median), which is the earliest age that most people can claim benefits, albeit at a permanently reduced amount.
- **Retirees are living on limited means with an annual household income of \$29,000 (estimated median).** Fifty-six percent of retirees report an income of less than \$50,000, while 13 percent have an income of \$100,000 or more.
- **Many retirees are still paying off household debt:**
 - Among the 46 percent of retirees who have non-mortgage debt, the estimated median is \$3,000.
 - Among the 23 percent of retirees who have mortgage debt, the estimated median is \$42,000.
- **Given the remaining time they have in retirement, retirees have saved relatively little:**
 - \$45,000 (estimated median) in household savings (excluding home equity). Sixteen percent do not have any household savings.
 - \$78,000 (estimated median) in home equity. Twenty-four percent do not have any home equity.

“Before the pandemic, retirees were living with limited income and savings. Now, amid the pandemic, a pressing question is whether and how they would be able to contend with a major financial setback such as long-term care expenses,” said Collinson.

Lessons Learned: Important Tips for Future Generations

“This economic downturn highlights the many ways in which retirees are financially vulnerable, but it also reveals action steps that future generations can be taking to help mitigate risks and improve their outcomes,” said Collinson. In the late 2019 survey, retirees shared these insights:

- **Save more on a consistent basis:** 78 percent of retirees agree they wish they would have done so.
- **Get savvy about retirement planning:** 66 percent wish they had been more knowledgeable about retirement saving and investing.
- **Don't procrastinate:** 53 percent feel they waited too long to concern themselves with saving and investing for retirement.
- **Avoid getting into too much debt:** Almost half (48 percent) indicate debt interfered with their ability to save for a comfortable retirement.
- **Seek help from a financial advisor, if needed:** 38 percent say they should have relied more on outside experts to monitor and manage their retirement savings.

“The pandemic is exacerbating weaknesses in the U.S. retirement system and government safety nets. Policymakers, industry, employers, academics, nonprofits, communities, individuals, and families must join together to create innovative solutions, so that all individuals have the ability to retire with dignity. The sooner we take action, the sooner we can achieve results,” said Collinson.

Retirees and Retirement Amid COVID-19 provides detailed survey findings, while identifying issues and opportunities, and actionable insights for current and future retirees.

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About Transamerica Center for Retirement Studies

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About the 20th Annual Transamerica Retirement Survey and June 2020 Supplemental Survey

The analysis contained in *Retirees and Retirement Amid COVID-19* was prepared internally by the research team at TCRS based on results from the 20th Annual Transamerica Retirement Survey and a supplement survey conducted in June 2020.

The 20th Annual Transamerica Retirement Survey of Retirees was conducted online within the U.S. by The Harris Poll on behalf of TCRS from November 13 to December 4, 2019 among a nationally representative sample of 2,040 self-identified retirees, including 1,841 fully retired and 199 semi-retired. Respondents met the following criteria: U.S. residents, age 50+, worked in a for-profit company employing one or more people for the majority of their career. Census data were referenced for education, age by gender, race/ethnicity, region, and household income. Results were weighted where necessary to bring them into line with the population of U.S. residents age 50+ who are retired or semi-retired. The weighting also adjusts for attitudinal and behavioral differences between those who are online versus those who are not, those who join online panels versus those who do not, and those who respond to surveys versus those who do not. No estimates of theoretical sampling error can be calculated.

The June 2020 Supplemental Survey was conducted online within the U.S. by The Harris Poll on behalf of TCRS from June 18 to 22, 2020 among a nationally representative sample of 2,001 U.S. adults. The data in this report is shown for a subsample of 411 adults who self-identified as being retired and age 50+. Census data were referenced for education, age by gender, race/ethnicity, region, and household income. Results were weighted where necessary to bring them into line with the population of U.S. residents age 50+ who are retired or semi-retired. The weighting also adjusts for attitudinal and behavioral differences between those who are online versus those who are not, those who join online panels versus those who do not, and those who respond to surveys versus those who do not. No estimates of theoretical sampling error can be calculated.