Pandemic Brings Big Jump in Early Retirees: Survey

By David Isenberg March 1, 2021

Nearly 70% of retirees surveyed in December by **Allianz Life** said they retired earlier than expected, up from 50% of retirees who said the same in 2019.

Further, of those who retired earlier than expected, a majority did so involuntarily, the survey found.

About a third of the retirees who said they hadn't planned to retire cited health care issues as the cause. A little more than 20% said unexpected job loss led to an earlier retirement date.

The Allianz Life 2021 Retirement Risk Readiness Study was conducted in December 2020. It includes 1,000 "nationally representative" individuals who lived in 48 states. Survey respondents were age 25 and older, with annual household incomes over $50,000 if single, $75,000 if married or partnered, or at least $150,000 in investable assets.

Survey respondents also reported much higher anxiety about current economic conditions than they said they had experienced during and after the financial crisis.

Some 66% of the respondents said they were nervous about their retirement savings, compared to 34% during the Great Recession, the survey finds. Similarly, 61% of respondents said they were nervous about day-to-day finances now, compared to 39% who said the same of the earlier period.

These survey results surprised Richard Johnson, director of the Urban Institute's Program on Retirement Security, who called the 2008 financial crisis a "triple whammy for families."

“Not only did unemployment soar, but the housing and stock markets collapsed in 2007 and 2008," he says. "The stock market has done exceptionally well over the past year.”

Further, 43% of respondents said they are unable to put away anything for retirement right now, an increase from 37% in 2019. Even more respondents — 49% — said they were simply unable to think about retirement and were getting by day-to-day.

The fluctuating stock market made just over half of respondents nervous, and 65% said they were now paying more attention to spending and saving, with 58% cutting back on spending, the survey found.

Overall, a higher number of near-retirees, which the survey defined as those within 10 years of retirement, are more actively planning for retirement than was the case in 2019. Retirement planning includes use of retirement accounts, diversifying retirement savings, researching retirement risks and expenses, making more formal plans with retirement professionals, and purchasing retirement-income-producing investment products, according to Allianz.

Despite the increase in such planning, 42% of respondents said they were behind on their retirement goals, up from 31% in 2019.

However, retirement goals do not often align with reality, says Kelly LaVigne, Allianz Life VP of consumer insights. “The unexpected can and often does happen,” he says. "[Y]ou have to have some kind of contingency plan just in case your other plan doesn’t work out.”

For example, 70% of non-retired respondents surveyed in December said that they plan to work during their retirement. But only 6% of retirees actually were working in retirement, the survey found.

More retirement-age workers left the workforce during the pandemic because in many cases working outside the home became hazardous, the Urban Institute’s Johnson believes. “That can have a long-term impact on their financial security. Collecting Social Security early permanently reduces monthly benefits, and premature retirements rob people of earnings to build up their nest eggs and often force them to dip into their savings early,” he says. “People often say they will work well into old age, but many have trouble doing that.”

The pandemic, climate change, technology changes and resulting economic instability are causing greater retirement uncertainty, LaVigne notes. The economic recovery from the pandemic is K-shaped, LaVigne argues, with some parts of the economy growing more quickly and other parts shrinking. Chronic unemployment for millions of American workers is also causing some retirement investors to worry, he adds.

“One of the striking aspects of the [Covid-19] recession is how uneven the impacts have been. We’ve seen substantial job loss and earnings declines among lower-income workers, especially those in hospitality and retail, but much fewer losses among higher-paid workers who can work remotely,” Johnson says. “This survey targets higher-income people, so I’m surprised that so many are anxious about their finances.”

Financial advisors should look where their clients have room to grow, make a plan, diversify and cut expenses where they can elsewhere, LaVigne adds.

“This is the time to really talk about protection,” he says. “If you really can’t contribute to your account right now, then possibly the best move you can make is to protect what you’ve got.”

The pandemic has also impacted the amount that some employers have contributed to their employees’ retirement accounts. About 16% of plan sponsors recently surveyed by Callan either reduced or suspended matching contributions to participants in their retirement plans. That was up from about 13% in 2019.

Callan’s survey included 93 defined contribution plan sponsors, the bulk of which had more than $100 million in plan assets.

Callan’s survey also found that a growing number of plan sponsors seek to retain the assets of both retiree and terminated participants. Two thirds of those surveyed sought to do so in 2020, up from 43.5% five years ago.