

Merrill Lynch Study on Giving in Retirement Reveals \$8 Trillion Longevity Bonus

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The FINANCIAL -- A new Merrill Lynch study reveals a potential giving surge in the United States over the next two decades valued at an estimated \$8 trillion, due to the aging baby boomer generation, increasing life expectancy and high rates of giving among retirees. The study, “Giving in Retirement: America’s Longevity Bonus” conducted in partnership with Age Wave, found that with more time, savings and skills to contribute to the charities and causes they care about, 65 percent of retirees agree retirement is the best time in life to give back.

“We’re seeing that retirement unleashes new opportunities to give that can positively impact the world,” said Andy Sieg, head of Global Wealth and Retirement Solutions for Bank of America Merrill Lynch. “Today’s retirees are in a position to make significant, lasting contributions and define their legacy. We’re going to see older adults contributing to society in new and meaningful ways.”

The new research explores the priorities, rewards and challenges of giving in retirement. Based on a nationally representative survey of more than 3,600 respondents of all income levels, this study examines giving trends across generations and genders. The study also looks at the benefits of giving back in retirement – for retirees, their families and society at large.

America’s “longevity bonus”

Through their combined donating and volunteering contributions to nonprofits and causes, the boomer generation is poised to create a “longevity bonus” estimated at a cumulative \$8 trillion over the next two decades in the United States. Three forces will drive this surge in giving:

The movement of the massive boomer generation into their retirement years.

Increasing longevity, which means more people will spend more years in retirement.

The high rates of giving, including time, money and skills, among retirees.

Based on giving rates among retirees today, charitable giving from retirees will increase to an estimated \$6.6 trillion over the next two decades.¹ In the same timeframe, the retirement of the boomer generation is projected to generate 58 billion volunteer hours. Using an industry standard for valuing volunteer time, retirees will contribute almost \$1.4 trillion worth of service.²

“We have a unique opportunity to harness the wealth of talents, skills, and experiences of the boomer generation as they enter retirement and seek to make a difference,” said Ken Dychtwald, Ph.D., founder and CEO of Age Wave. “Rather than being a drain on our nation’s resources, the ‘age wave’ could be part of the solution to many of our country’s biggest challenges.”

Retirement: The best time to give

According to the report, older Americans have more time, money and skills to contribute to causes they care about than younger adults. For instance, more people age 65-plus donate money or goods than any other age group, and give the greatest amount – more than double that of younger adults.

Although slightly fewer (24 percent) older adults volunteer compared to other age groups, those who do volunteer contribute more than twice as much time. The research found volunteers over age 65 volunteer an average of 133 hours per year, compared to those ages 25-34 and 35-44 who volunteer an average 55 and 58 hours per year, respectively.

Retirees bring a lifetime of experience when they give back. Eighty-four percent of retirees say an important reason they are able to give more in retirement is that they have greater skills and talents compared to when they were younger.

“Retiring boomers are a new and growing force in the giving space that can’t be ignored,” Lorna Sabbia, head of Retirement and Personal Wealth Solutions for Bank of America Merrill Lynch. “The study found that retirees not only give more, but they believe they are able to give better by being more focused, hands-on and impact-oriented.”

Now that they are in retirement, retiree respondents say they are positioned to give in ways that better match their personal priorities and passions (77 percent), are more thoughtful and focused (64 percent), and have a more meaningful impact (59 percent).

Giving gives back: Success redefined

The report found that for many, giving is a key ingredient to a better retirement. Compared to those who do not volunteer or donate, retirees who give say they have a stronger sense of purpose (59 percent vs. 43 percent), higher self-esteem (57 percent vs. 51 percent), and are both happier (66 percent vs. 52 percent) and healthier (50 percent vs. 43 percent) than those who do not contribute.

Giving can also be an important source of social connections in retirement. Although pre-retirees predict a reliable income is what they will miss most after leaving the workforce, in reality, retirees say that it is the social connections that they miss.³ Eighty-five percent of retiree volunteers say they have developed important new friendships through their giving and volunteering activities.

Retirees are three times more likely to say helping others makes them happier than spending money on themselves (76 percent vs. 24 percent). Retirees are also nearly six times more likely to say “being generous” defines success for them than “being wealthy.”

The more generous gender

Retired women are even more likely than men to say retirement is the best time to give back (68 percent vs. 62 percent) and that generosity defines success over wealth (90 percent vs. 79 percent). Also, the report found more retired women donate (81 percent of women retirees vs. 71 percent of men retirees) and volunteer (29 percent of retired women retirees vs. 22 percent of men retirees) to charitable causes.

Women are increasingly taking control of inheritance and giving decisions, both to family and charitable causes, in part because of their superior longevity. Women are three times more likely than men to be widowed in later life, and therefore often decide how and where to pass on assets. Among people age 55 and over, unmarried women contribute nearly half of all charitable bequests.⁴

Giving to family

According to the study, three in four (77 percent) retirees prefer to give money to family while they are still alive, rather than waiting until the end of life. The Merrill Lynch Family & Retirement: The Elephant in the Room Study (November 2013) revealed that more than six in 10 people over the age of 50 provide financial support to family members.

While a financial inheritance can be an important part of one's legacy, the study reveals retirees consider values and life lessons to be twice as important to pass on to future generations than financial assets and real estate (62 percent vs. 32 percent). Additionally, younger generations overwhelmingly say they are more interested in receiving values and life lessons than financial assets (55 percent vs. 22 percent).

Challenges to giving

Retirees cite concern about the trustworthiness of charitable organizations (41 percent), too many options to choose from (39 percent) and financial limitations (39 percent) as the top barriers that limit their giving, according to the research.

When seeking advice for how best to give, the report found retirees say that, above all, they are seeking a guide who understands their values and priorities (52 percent), and someone who can help them research and identify which charities and causes to support (37 percent).

“When individuals and families take the time to develop a giving strategy based on what's meaningful to them and the impact they want to have, they give more, and feel more fulfilled. In fact, a 2014 U.S. Trust study found that knowledgeable and engaged donors experience greater personal fulfillment and give larger amounts to charitable causes, and respondents in this study who feel fulfilled donate more than five times the amount of those who are not fulfilled,” said Keith Banks, president of U.S. Trust, Bank of America Private Wealth Management.

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