

MONEY

management executive

Americans Planning on Later, More Frugal Retirement, Guaranteed Income Could Lower Investors' Savings Needs

By Lee Barney
July 18, 2011

Americans' retirement expectations have changed dramatically in recent years. A vast majority now plan to live more frugally and delay retirement, SunAmerica Financial Group and [Age Wave](#) found in a survey of 1,001 people age 55 and older. Nonetheless, the majority are still confident they will be able to eventually retire.

"While the recession clearly had a financial and emotional impact, it was very encouraging to see that three out of five Americans 55 and older have remained hopeful for their future," said SunAmerica Financial Group President and CEO Jay S. Wintrob. "Americans are emerging from the experience with new knowledge, new discipline and have re-set their vision of an ideal retirement."

Wintrob added: "Americans have also proven themselves to be both resilient and resourceful."

Eighty-one percent said they have learned important lessons regarding retirement preparation in recent years.

"They are course-correcting, intending to work longer, save more, spend less, be more disciplined and adjust their lifestyle expectations," Wintrob said.

SunAmerica also noted that it found a significant shift in attitudes since it last conducted this survey with [Age Wave](#) in 2001.

Today, 54% view retirement as a new chapter in their life, rather than a winding down, compared to 38% in 2001 who viewed retirement as a new chapter. Today, the average pre-retiree expects to retire at age 69, up from 64 in 2001.

Nearly two-thirds said they intend to continue working in retirement, and 65% said a combination of work and leisure is their ideal retirement.

And 82% say financial peace of mind is most important, compared to the 13% who cite accumulating wealth as their primary goal.

Nearly one-third said their portfolio has not returned to pre-recession levels, and 46% said their home is worth less now than before the recession.

Seventy-six percent said the last few years have been a wake-up call, and 84% now exercise more cautious investment strategies. Sixty-five percent want investments that are guaranteed not to lose value, and 60% seek to protect their income from market loss.

Fifty-five percent of older Americans find themselves being pressed for financial assistance from other family members, be they aging relatives, adult children, grandchildren or siblings.

Further, 70% expect that their adult children will need financial assistance.

"The financial services industry will be called upon to provide new solutions in retirement planning, as people are concerned about a need to plan financially not only for parents, but also adult children, grandchildren, siblings and in-laws," Wintrob said.

"Emerging from the recession, Americans are beginning to define retirement differently than previous generations of retirees," said Dr. Ken Dychtwald, gerontologist and [Age Wave](#) founder. "Having been jolted by the last several years, Americans have adopted more realistic and pragmatic views of the possibilities before them. They now see retirement as a time for new priorities, new opportunities and new strategies for today's challenges."

Dychtwald added: "Most Americans want increased flexibility in retirement, with the opportunity to move back and forth between periods of work and leisure. Seeking a more active and productive version of retirement than their parents' generation, their main driver is the ability to stay engaged and stimulated in both work and new activities."

However, Americans may not have as many years to save for retirement as they expect.

Nearly half of today's retirees retired earlier than planned. Of those who did, 41% did so because of unexpected health problems and 19% due to loss of employment. MME

The incorporation of guaranteed minimum withdrawal benefits (GMWBs) into defined contribution plans may reduce the level of assets required for plan participants to achieve the same level of retirement income, according to Prudential Retirement.

In a white paper titled "What Employers Lose in the Shift: From Defined Benefit to Defined Contribution Plans ... And How to Get it Back," Prudential says that by pooling the longevity risk of defined contribution participants in annuities with GMWBs, not only do investors receive income for life but more income from the same amount of savings.

As workplace saving will face increasing challenges in the years ahead, plan sponsors benefit as well, Prudential says. "Despite employers' substantial investment in defined contribution plans, including matching contributions and participant education, many DC participants will not be able to retire when they want without a guaranteed income solution," said Christine Marks, president of Prudential Retirement. "The incorporation of these guarantees into DC plans directly addresses the challenges facing individuals and employers today by reducing the amount that individuals must save to achieve a designed level of retirement income."

This article can be found at http://www.mmexecutive.com/issues/19_29/americans-planning-on-later-more-frugal-retirement-221584-1.html.