

Home in Retirement: More Freedom, New Choices

A Merrill Lynch Retirement Study conducted
in partnership with Age Wave

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Introduction



Today's retirees have more freedom and options when choosing where and how they want to live in retirement. With the possibilities presented by unprecedented longevity, and often fewer work and family obligations than before retirement, according to the study two-thirds (65%) of retirees say they are living in the best home of their lives. However, retirees today also face challenges, and must consider how their needs may change throughout a 20-, 30-, or even 40-year retirement.

During the next decade, age 65+ households will account for nearly all household growth (FIG 1). This tremendous growth among older households is driven by powerful demographic forces:

- The massive baby boomer generation is now moving into their retirement years.
- Increasing longevity leading to longer retirements.

How and where older adults choose to live will have widespread implications for the different ways homes might be designed, what resources will be needed, and how communities nationwide should prepare for an aging population.

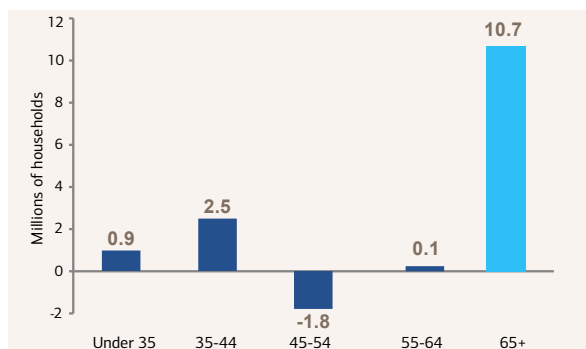
Home in Retirement: More Freedom, New Choices reveals the priorities, hopes, and worries of pre-retirees and retirees as they envision the type of home, community, and geography they wish to live in during their retirement years.

The Study uncovers:

- When people cross the "Freedom Threshold" and how retirement can be a gateway to unprecedented freedom when choosing where to live
- The "Downsize Surprise," and why many retirees don't opt for a smaller home
- Today's "Retirement HotSpots," and where tomorrow's retirees want to live
- How retirees often choose not to move, but instead are making their current home the best home of their lives
- The home and health challenges of later retirement and how retirees are increasingly empowered to age in place independently

The following report summarizes the key findings of our Study.

Figure 1: Projected household growth by age: 2015-2025



Source: Joint Center for Housing Studies of Harvard, 2014

Methodology



This research study, completed in August 2014, was conducted in partnership with Age Wave and executed by TNS via online data collection methodology. This survey was conducted among a total of 5,983 respondents. Findings in this report are based on the analysis of 3,638 respondents age 21+, representative of the U.S. national population across age, income, gender, and Census region, unless otherwise noted. The generational distribution of the 3,638 is: 749 Silent Generation (age 69-89), 2,192 Boomers (age 50-68), 287 Generation Xers (age 38-49), and 410 Millennials (age 21-37). An additional oversample of 2,345 affluent respondents age 50+ was conducted for those with at least \$250,000 in investable assets. Results from the affluent oversample are not included in this report and will be released in future reports. Qualitative research was conducted via six focus groups among both pre-retirees and retirees prior to the quantitative research.



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About Age Wave

Age Wave is the nation's foremost thought leader on population aging and its profound business, social, financial, health care, workforce, and cultural implications. Under the leadership of Founder/CEO Dr. Ken Dychtwald, Age Wave has developed a unique understanding of new generations of maturing consumers and workers and their expectations, attitudes, hopes, and fears regarding retirement. Since its inception in 1986, the firm has provided breakthrough research, compelling presentations, award-winning communications, education and training systems, and results-driven marketing and consulting initiatives to over half the Fortune 500. For more information, please visit www.agewave.com. (Age Wave is not affiliated with Bank of America Corporation.)

Source: Bank of America. Merrill Lynch Global Wealth Management (MLGWM) represents multiple business areas within Bank of America's wealth and investment management division including Merrill Lynch Wealth Management (North America and International), Merrill Lynch Trust Company, and Private Banking & Investments Group. As of June 30, 2014, MLGWM entities had approximately \$2 trillion in client balances. Client Balances consists of the following assets of clients held in their MLGWM accounts: assets under management (AUM) of MLGWM entities, client brokerage assets, assets in custody of MLGWM entities, loan balances and deposits of MLGWM clients held at Bank of America, N.A. and affiliated banks.

Home Free in Retirement



Retirees are twice as likely as pre-retirees to say they're free to live where they want, and two-thirds of retirees say they're now living in the best home of their lives.

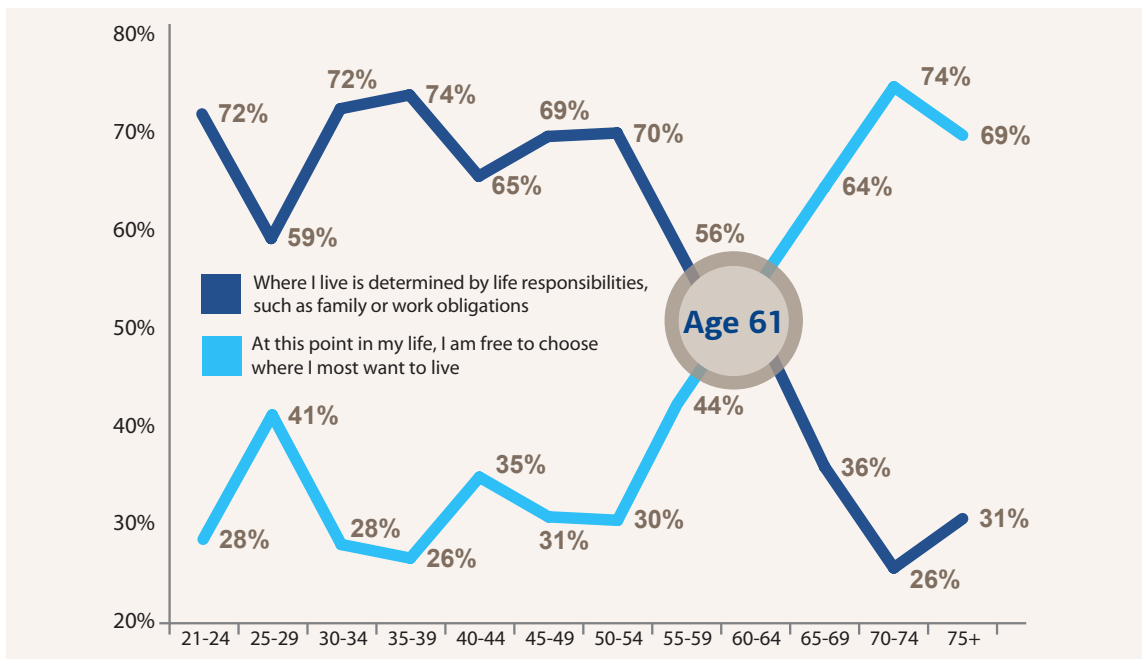
Retirement: A Gateway to Greater Freedom

Overwhelmingly, retirees say they have unprecedented freedom to choose where they want to live, including freedom from many work and family obligations that can dictate home choices, as well as greater freedom from home-related financial worries and mortgage payments. As a result of this newfound flexibility, the majority of retirees say they're living in the best home of their lives.

Greater Freedom from Work and Family Obligations

Throughout most of people's lives, where they live is determined by their responsibilities. Most careers demand that people live within a reasonable commuting distance from where they and/or their spouse work. Parents need homes that accommodate their growing family and are close to their children's schools. However, as people enter their 50s and 60s, they begin to cross what this study reveals to be the "Freedom Threshold." At age 61, the majority of people say they feel free to choose where they most want to live (FIG 2).

Figure 2: Crossing the "Freedom Threshold"



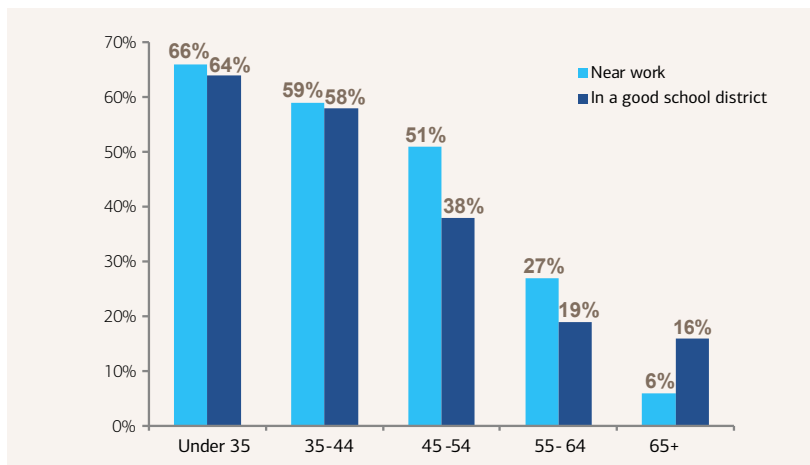
Base: Age 21+

As people empty nest and retire from full-time work, they are increasingly liberated from many of the family and work obligations that have long restricted their choice of home and community (FIG 3). This newfound freedom to live how and where they want peaks in retirement. Compared to pre-retirees, retirees are twice as likely to say they are free to choose where they want to live. Conversely, pre-retirees are twice as likely as retirees to say where they live is determined by life responsibilities (FIG 4).

"In retirement, you have the chance to live anywhere you want. Or you can just stay where you are. There hasn't been another time in life when we've had that kind of freedom."

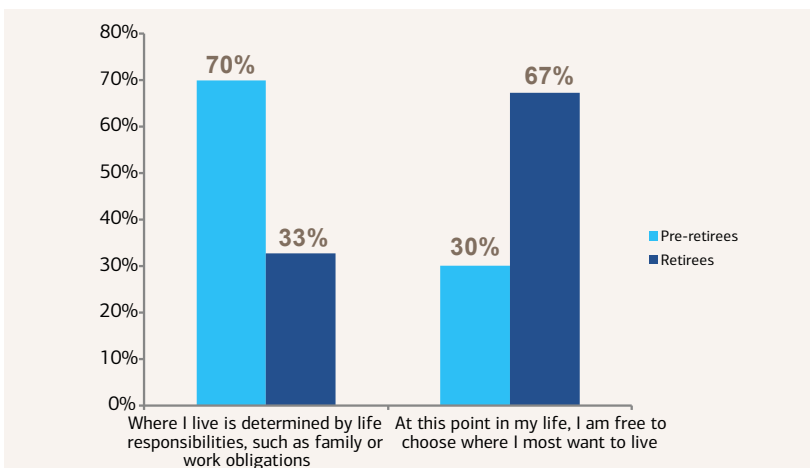
– Focus Group Participant

Figure 3: Percent who place a high degree of importance on living...



Base: Age 21+

Figure 4: Percent who say where they live is determined by family or work obligations



Base: Age 50+

Greater Freedom from Home-Related Financial Worries

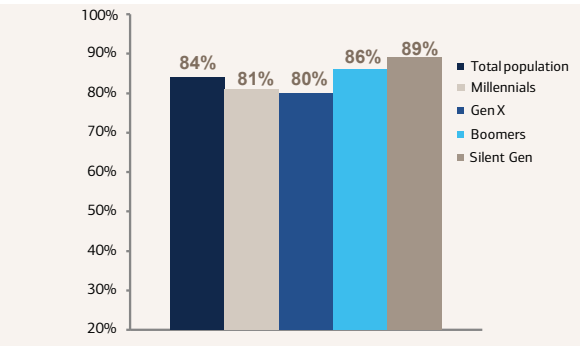
Homeownership has long been a cornerstone of the American Dream, and can create opportunities to build equity and achieve greater financial security. Some may assume that, due to the recent economic uncertainty, few people – particularly younger generations – still aspire to homeownership. However, the vast majority of people across all generations say homeownership is a priority (FIG 5).

Nonetheless, affording a home can require many years of savings, and homeownership is often a goal not achieved until later in life. While a minority of young people own their homes, four out of five Americans age 65+ are homeowners (FIG 6).

Not only are most people age 65+ homeowners, few need to worry about making mortgage payments. More than seven in ten have fully paid off their mortgages (FIG 7). For many, paying off their mortgage before retiring can be an important step toward achieving financial peace of mind throughout their retirement years.

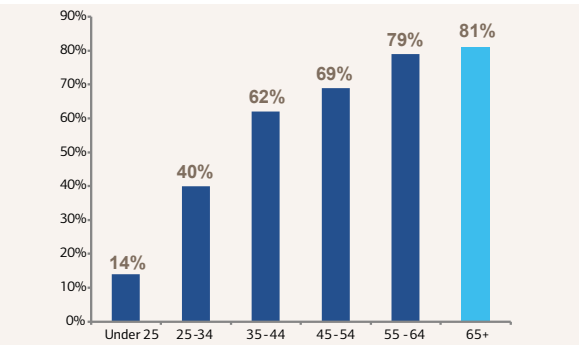


Figure 5: Percent who agree “homeownership is an important part of the American Dream”



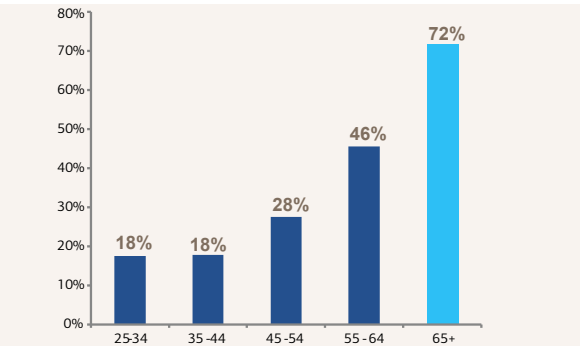
Base: Age 21+

Figure 6: Percent who are homeowners, by age



Source: Bureau of Labor Statistics, 2013; noninstitutionalized population

Figure 7: Percent of homeowners with no mortgage



Source: Bureau of Labor Statistics, 2013; noninstitutionalized population

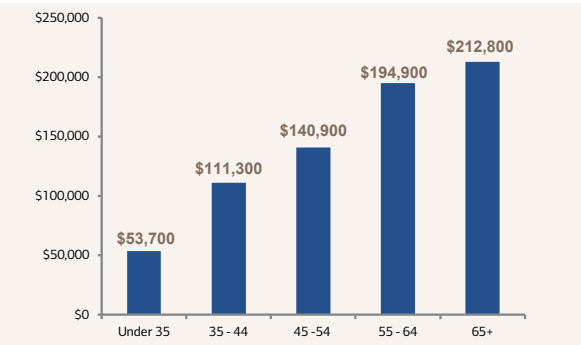
Moreover, the equity they have built in their homes during their lifetime can represent a substantial part of their overall net worth. On average, home equity among homeowners age 65+ is more than \$200,000 (FIG 8). Age 65+ households represent 22% of all U.S. households, but account for 40% of home equity.¹

“When I was younger, I always worried about that monthly mortgage payment. Now that I am retired, I have the peace of mind of knowing I own my home free and clear.”
– Focus Group Participant

Freedom to Live in the Best Home of Your Life

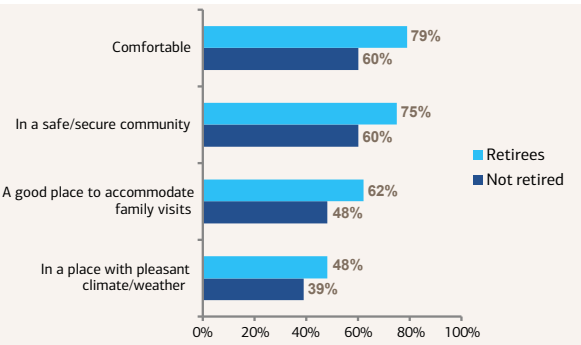
Empowered with new options and opportunities, and with greater freedom from many home-related financial worries, two-thirds (65%) of retirees say they are now living in the best home of their lives. Compared to people who have not yet retired, retirees are more likely to say their homes are comfortable, in a safe community, and a great place to connect with family. They also are more likely to say that they are now living in a part of the country with pleasant climate and weather (FIG 9).

Figure 8: Average home equity among homeowners, by age



Source: Survey of Consumer Finances, 2013

Figure 9: Percent who say their home is...



Base: Age 21+

Should I Stay or Should I Go?



Two-thirds of retirees are likely to move at least once during retirement. When retirees move, only half downsize, and many move into larger homes.

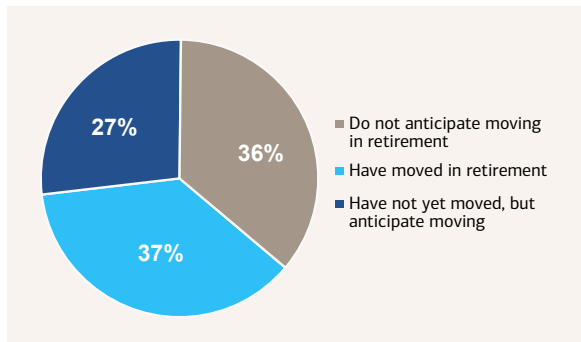
Retirees on the Move

With new freedom to decide where they want to live, many retirees make the decision to move to a different home, community, or part of the country. An estimated 4.2 million retirees moved into a new home last year alone.²

Sixty-four percent of retirees say they are likely to move at least once during retirement, with 37% having already done so and 27% anticipating doing so (FIG 10).

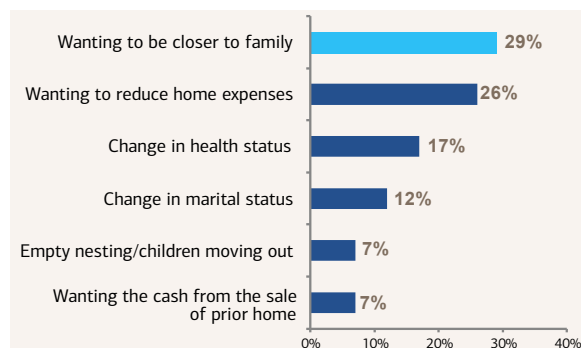
Among other things, wanting to lower home expenses, encountering health challenges, divorce or widowhood, and empty nesting can all be triggers for moving in retirement. However, retirees cite “wanting to be closer to family” as a top reason for moving (FIG 11).

Figure 10: Percent of retirees who have moved or anticipate moving in retirement



Base: Age 50+ retirees

Figure 11: Reasons for moving in retirement



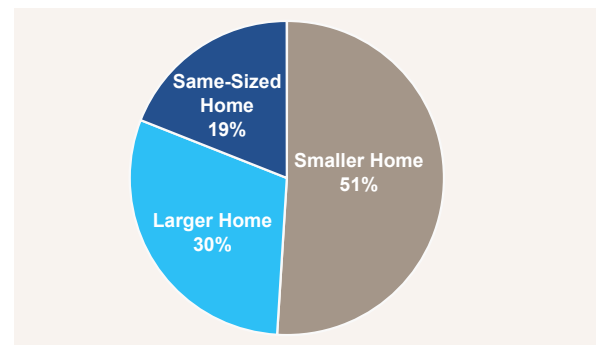
Base: Age 50+ retirees who have moved since retiring

The “Downsize Surprise”

Many people assume that once they retire, they will downsize their home. Their children have moved out, they need less space, they don’t want the maintenance hassles of a larger home, and moving to a smaller home might free up cash. In fact, many pre-retirees assume they will downsize to help pay for their retirement.

However, pre-retirees who expect to downsize when they retire may be surprised to learn that half (49%) of retirees didn’t downsize in their last move. In fact, three in ten upsized into a larger home (FIG 12).

Figure 12: Retirees’ most recent move was into a...



Base: Age 50+ retirees who have moved since retiring

From Empty Nest to Welcome Home

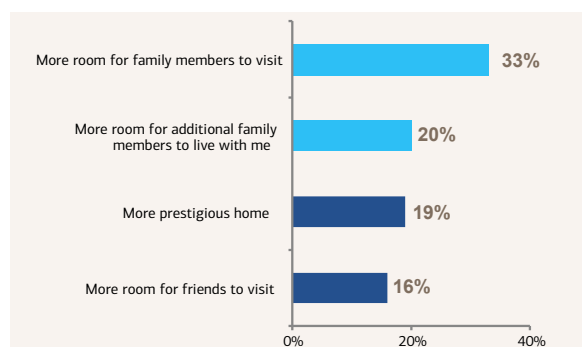
Retirees say a top reason to upsize is to have a home that is large and comfortable enough for family members to visit and stay with them (FIG 13). Many retirees have empty nested, and their adult children, grandchildren, and other family members may live in disparate parts of the country. Thus, retirees often find their homes become places for family to come together and reconnect, particularly during holidays or summer vacations.

Many retirees also say they upsize so that family members can live with them, if needed. According to this study, one in six (16%) retirees has a “boomerang” adult child who has moved back in. In fact, due in part to adult children returning to their parents’ home, the number of multigenerational family households doubled between 1980 and 2010, from 11% to 22%.³

“After our kids left home, we got an even bigger house. We have kids and grandkids all over the country and wanted space for them to visit.”

– Focus Group Participant

Figure 13: The main motivations for upsizing in retirement

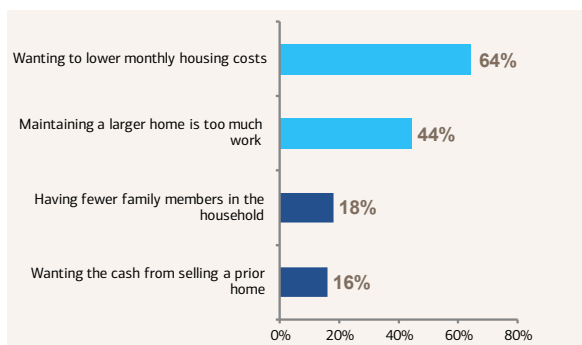


Base: Age 50+ retirees who upsized in retirement

The Upsides to Downsizing

The half (51%) of retirees who downsized in their last move cite freedom from the financial and maintenance burdens of a larger home as the top reasons to downsize (FIG 14). By reducing expenses and releasing equity tied up in a larger home, downsizing can help make retirement more financially secure.

Figure 14: The main motivations for downsizing in retirement



Base: Age 50+ retirees who downsized in retirement

Finding a Retirement Community That Matches Your Interests

According to this study, just 7% of retirees have moved into age-restricted retirement communities. However, there is growing diversity of retirement communities designed to meet the needs and aspirations of new generations of retirees. Today, approximately 100 retirement communities have ties to universities,⁴ affording opportunities for continued learning and connections with both students and alumni. Other retirement communities have been created around niche interests and affinities, such as religion and spirituality, art and theater, and hobbies.

Retirement HotSpots



The South Atlantic, Mountain, and Pacific regions top the list of Retirement HotSpots.

Following Your Own Compass in Retirement

Retirement can present new opportunities to live anywhere in America. For some people, it can even mean living in another part of the world – roughly 373,000 retired Americans lived abroad in 2013.⁵ Among people age 65+ who moved last year, most (83%) chose to remain in the same state. However, over one out of six (17%) people age 65+ who moved last year relocated to a different state or part of the country.⁶



Top Retirement HotSpots

When asked to grade how well their geographic location fits their priorities and lifestyle, retirees in the South Atlantic, Mountain, and Pacific gave their regions the highest marks (FIG 15). Not surprisingly, retirees in these three regions are happiest with their climate and weather (FIG 16). Retirees in the Mountain and South Atlantic regions are also among the most satisfied with their cost of living (FIG 17).

Figure 15: Where do retirees give the highest grades to their geographic region?

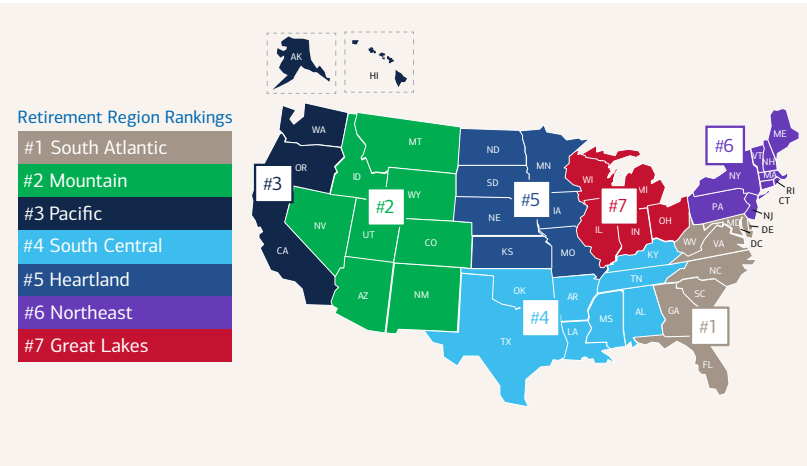


Figure 16: Percent of retirees highly satisfied with their climate/weather

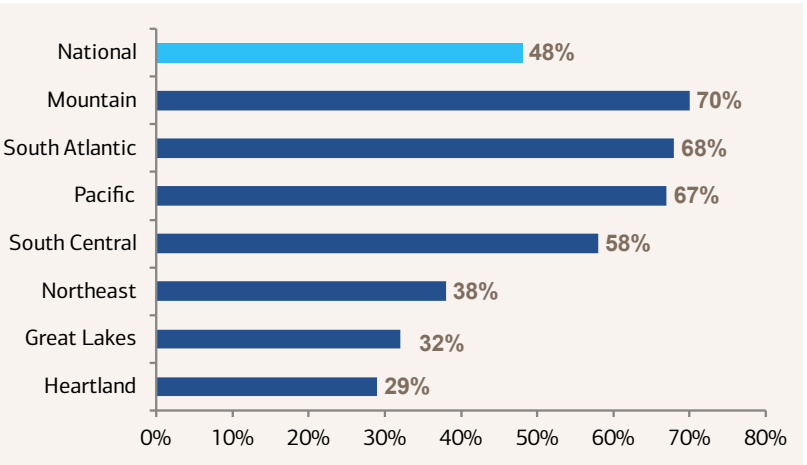
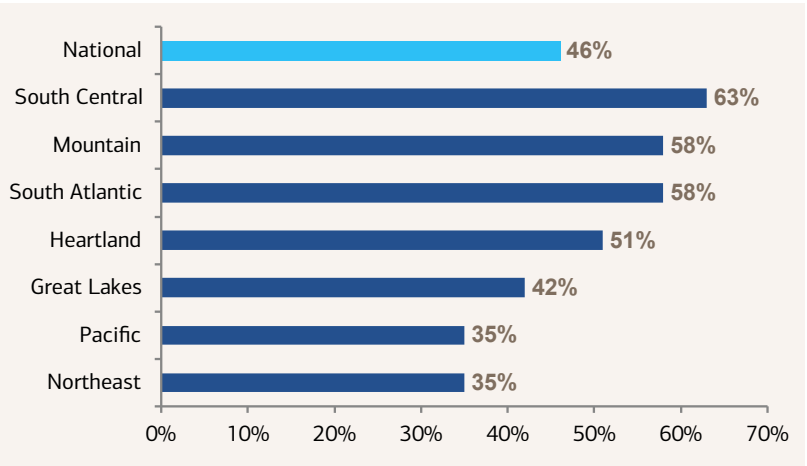


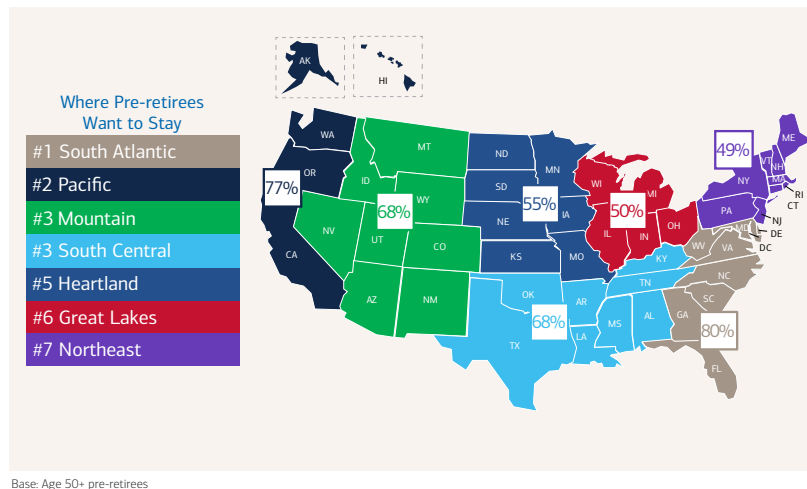
Figure 17: Percent of retirees highly satisfied with their cost of living



Where Tomorrow's Retirees Want to Live

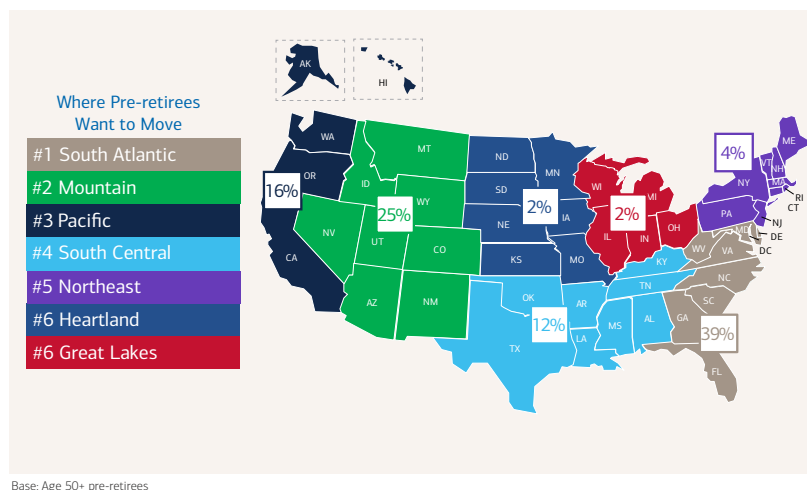
A portrait of where pre-retirees want to live in retirement provides a glimpse into how America may be reshaped in the coming years. Most pre-retirees (60%) anticipate staying in the same state or region, while four in ten see retirement as a chance to try living in a new part of the country. To a large degree, where pre-retirees say they want to stay or move to in retirement mirrors where today's retirees say they are happiest. For instance, roughly four in five pre-retirees living in both the South Atlantic (80%) and Pacific (77%) regions say they want to continue living there in retirement (FIG 18).

Figure 18: Percent of pre-retirees who want to continue living in each region after retirement



Among pre-retirees who want to move to a different region in retirement, the South Atlantic region is the clear winner – with four in ten (39%) saying they would most want to move to that region – followed by the Mountain (25%) and Pacific (16%) regions (FIG 19).

Figure 19: Percent of pre-retirees who want to move to each region, among all pre-retirees who want to move to a different region in retirement



Refresh, Remodel, Renovate



Most retirees say their home's emotional value is even more important than its financial value. Many never move but instead make their current home even better.

In Retirement, Home Is Where the Heart Is

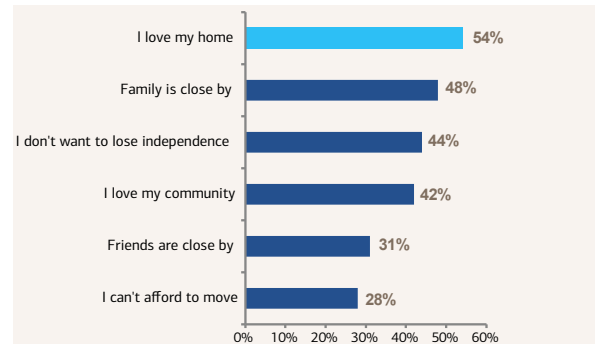
While roughly two-thirds of retirees are likely to move at least once in retirement, the other one-third anticipates staying where they are throughout their retirement years. The reasons many retirees don't move reveal the deep emotional connection they have with their home. Retirees who don't plan to move cite, "I love my home" as a top reason for remaining where they are (FIG 20).

People's homes can be both a financial asset and also an important emotional asset – representing memories with family and treasured life experiences. Prior to age 55, more homeowners say the financial value of their home outweighs its emotional value. As people age, however, they are far more likely to say their home's emotional value is more important than its financial value (FIG 21).

"Our home is everything we put into our house materially and emotionally over the years. It's us."

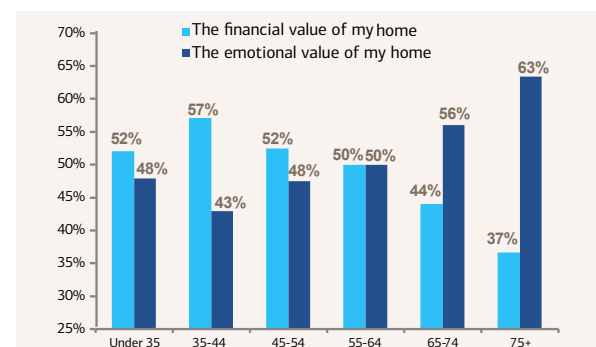
– Focus Group Participant

Figure 20: Top reasons why retirees would not leave their current home



Base: Age 50+ retirees who don't plan to move

Figure 21: Which is more important to homeowners: their home's emotional or financial value?

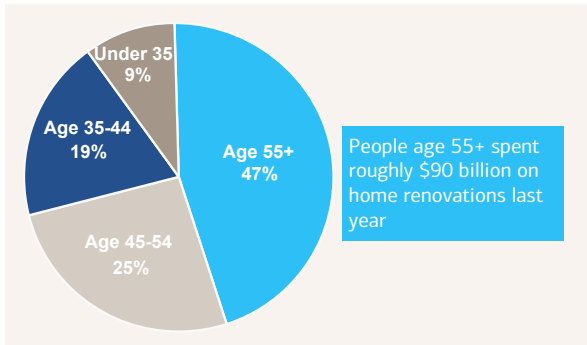


Base: Age 21+ homeowners

A Chance to Create Your Dream Home

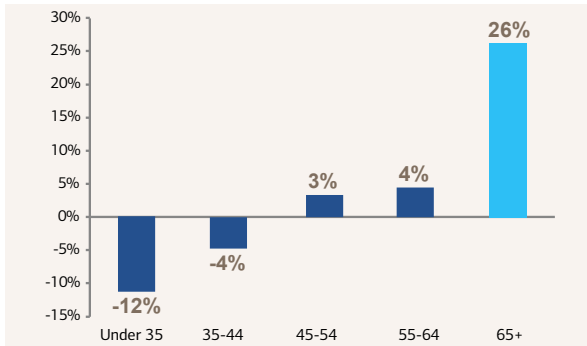
Retirees may love their home – but that doesn’t mean they’re not interested in making it even better. People in later life and retirement often have more flexibility, time, and financial resources to improve their homes. In fact, age 55+ households account for nearly half (47%) of all spending on home renovations – about \$90 billion annually (FIG 22). Moreover, while younger households slowed or reduced spending on home renovations between 2003 and 2013, spending among those age 65+ increased by 26% (FIG 23).

Figure 22: Percent of total home renovation expenditures by age of head of household



Sources: Joint Center for Housing Studies of Harvard, 2015; Age Wave calculations

Figure 23: Percent change in average spending on home renovations by age, 2003-2013

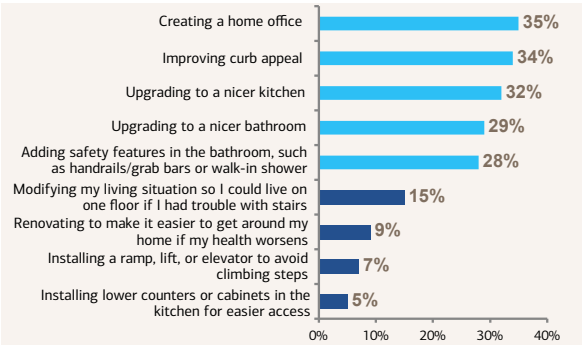


Source: Joint Center for Housing Studies of Harvard, 2015.

“We always had plans to make our home better. Now that we’re retired, we have the time, flexibility, and savings to do just that.”
– Focus Group Participant

While some modified their home to make it more age-friendly, most retirees have renovated their homes to make them more attractive, more comfortable, and more versatile (FIG 24). A typical renovation or remodeling project can cost several thousand dollars, and budgeting for home renovations can be an important part of retirement planning (FIG 25).

Figure 24: Percent of retirees who have renovated their home by...



Base: Age 50+ retiree homeowners who plan to stay in their home throughout retirement

Figure 25: Median cost of home renovation project by type

Kitchen	\$5,000
Roofing	\$4,600
Plumbing, electrical, etc.	\$3,600
Recreation rooms	\$3,000
Bedroom(s)	\$2,500
Bathroom	\$2,400
Patio, terrace, or deck	\$2,000
Flooring, paneling, & ceiling	\$1,200
Doors and windows	\$1,200

Source: U.S. Census Bureau, Home Improvements. May 2013.

High-Tech Home Improvement

Retirees are not just interested in traditional remodeling and renovation activities. They're also seeking new technologies that can make their homes more convenient, connected, and secure, and easier and less expensive to maintain.

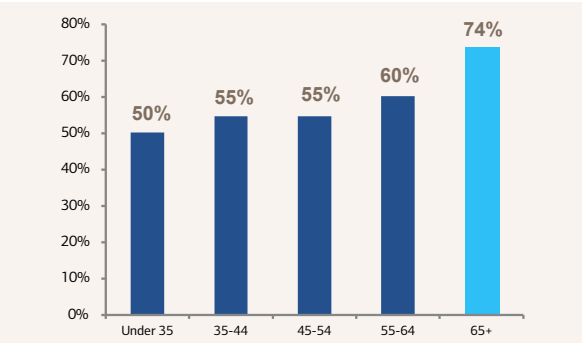
- Four in five retirees (80%) are interested in new technologies to reduce their home expenses, such as smart thermostats or apps to control appliances.
- Three-quarters (76%) are interested in technologies to monitor their health at home, such as sensors, alerts, or medication reminder apps.
- Two-thirds (67%) are interested in home technologies to help them optimize their health, such as devices for air purification or to improve their sleep.
- Nearly two-thirds (64%) are interested in home technologies to connect them with their family and friends, such as video chat and interactive devices.
- Six in ten (58%) are interested in technologies to help them maintain their home, such as cleaning robots or heated driveways.



Stronger Community Connections in Retirement

In retirement, creating a better home can mean more than just renovations. Many retirees take the opportunity to rediscover their neighborhood and more deeply connect with their community. Before retirement, many younger and middle-age households can be so busy with work and family responsibilities that they don't have as much time to explore or get involved in their community. Retirees are far more likely to have the time and flexibility to build deeper and more fulfilling connections by volunteering, visiting museums and libraries, taking lifelong learning classes at community colleges, or simply getting to know their neighbors better (FIG 26).

Figure 26: Percent who feel connected to their neighbors and community, by age

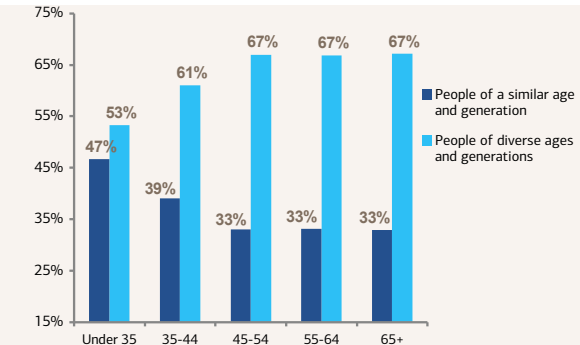


Base: Age 21+

“Since I retired, I rediscovered my neighborhood. I made new friends and started volunteering in my community.”
– Focus Group Participant

While some may think retirees prefer to spend time largely with people their own age, most retirees seek to interact and engage with vibrant communities of diverse ages. In fact, compared to younger people, older Americans are far more likely to want diversity in age and generation among their communities and neighbors (FIG 27).

Figure 27: Type of neighbors people prefer, by age



Base: Age 21+

Health and Home in Later Retirement



Today's retirees have more options for how and where to receive care and support. Overwhelmingly, retirees prefer to age in place by continuing to live independently at home.

Home Considerations in Later Retirement

Though people enjoy new freedoms during much of retirement, as they age, health challenges and care needs can become a larger factor in where people choose to live. In fact, there are two distinct phases when it comes to choosing where to live during retirement.

The first phase in retirement living – which can often span now 15 to 20 years or more – is a time of more freedom and new choices for how and where people live. This first phase has emerged as people live longer and are often healthier and more active than prior generations of retirees.

During the second phase – which often begins when people are in their 80s – health becomes an increasingly important factor impacting where people live. Among people age 85+, three-quarters (74%) have difficulties with at least some daily activities, such as housework, getting around the home, or other everyday tasks.⁷ The average age of people entering assisted living is 85.⁸



New Options for Health and Care

Among prior generations, most retirees had two options: if they were healthy enough, they could continue living at home; or they would need to move to a nursing home to receive care if they became too sick or frail.

Today, however, there is a growing continuum of options for retirees facing health challenges, including:

- Retirement apartments and communities that offer meal preparation, home maintenance, and other helpful services
- Assisted living communities that offer meal preparation, home maintenance, transportation and other supportive services, activities and programs that provide the opportunity to stay active and involved
- Cohousing, through which retirees live together and help arrange or provide each other support as needed
- Creative systems, such as the “Village” model, through which older adults who live near each other form an organized group with centralized access to coordinating services and resources that help them age in place

These innovative living options often not only provide care and support, but also create more opportunities for social engagement and community activities, and promote wellness and fitness.

My Own Home: The #1 Choice for Long-Term Care

Overwhelmingly, retirees say their top preference for receiving extended care, if needed, is to age in place in their own home (FIG 28). With new technologies (such as telemedicine and remote diagnostics)-, growing numbers of home care providers and services, and renovations to make homes more aging-ready (FIG 29), it is increasingly possible for retirees with health challenges to continue living independently at home. In fact, there has been a significant shift in where people are receiving care. The number of nursing home residents has declined in the past decade (FIG 30), while at the same time the number of people receiving care at home has increased (FIG 31).

As boomers enter their later retirement years and the need for all types of long-term care increases, new services, technologies, and options will continue to develop to enable people to receive care how and where they most desire.

Figure 28: Retirees’ top preference for receiving long-term care

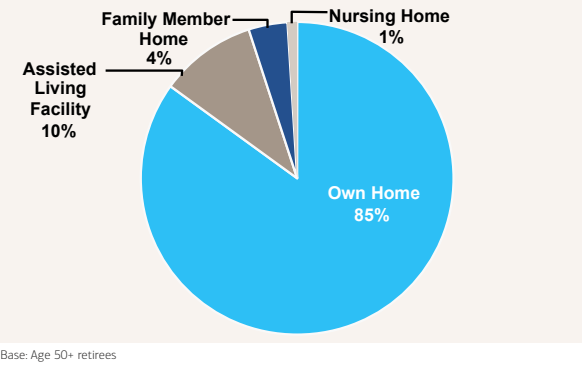


Figure 29: Aging-ready home features

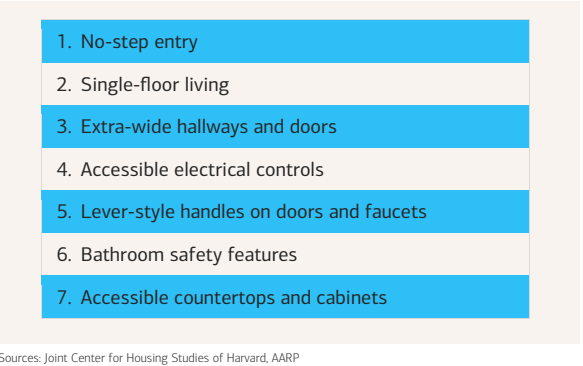


Figure 30: Number of nursing home residents, 2003-2012

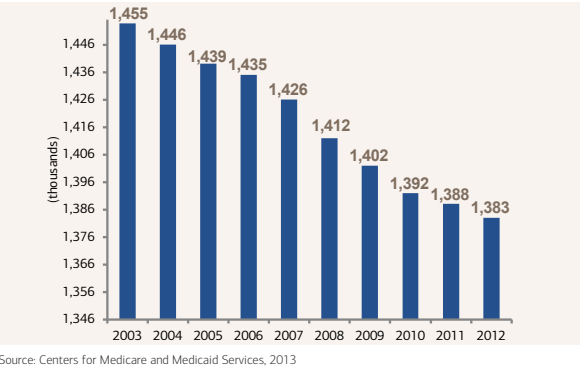
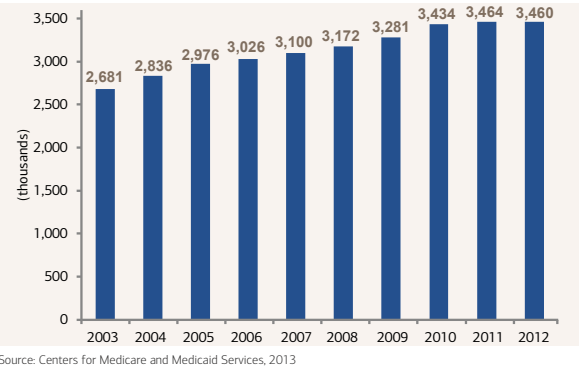


Figure 31: Number of home health care recipients, 2003-2012



Preparing for Choices and Challenges



This study reveals new choices and opportunities retirees have to live in homes and communities that can make their lives even more fulfilling. Achieving your best home in retirement and navigating challenges requires careful forethought and preparation, including:

1. When deciding where to live in retirement, whether you decide to move or stay in your current home, carefully consider a range of priorities that will be important to you in future lifestages. These may include affordability, climate, proximity to family and friends, recreational or cultural activities, opportunities for continued work, access to good health care, etc. Consider trying out a potential area to live in retirement with extended visits or short-term rentals.
2. Consider all expenses when forecasting potential home-related costs during retirement, including mortgage or rent payments; income, estate, and property taxes; and insurance, relocation, utilities, repairs and maintenance, and other expenses. It is also important to consider whether you might want to renovate or remodel your home in retirement and plan and budget for those expenses as well.
3. Assess whether you should pay off your mortgage before retirement. Paying off your mortgage before you retire can create greater financial security and peace of mind. But there are many factors – such as your risk tolerance, interest rates, taxes, estate planning, and other investment opportunities – that you should factor into this decision.
4. Don't assume you will downsize your home in retirement. Moving to a smaller home can provide cash and reduce expenses, but you may find your current or even a larger home better fits your lifestyle and family needs in retirement.
5. Prepare for long-term care, in case it is needed, by researching options that would enable you to receive care where you most prefer, whether you choose to move to supportive communities and housing or to stay in your own home.
6. Consider home modifications and services that can empower you to remain in your own home if you face health challenges. Modifications like installing lower counters and tables, replacing lever handles, enhancing bathroom safety features, and changing your living situation to avoid the use of stairs can make it easier to get around your home. Home care services and health monitoring and alert technologies can enable you to continue living independently as long as possible.



- ¹ Age Wave calculations based on Federal Reserve data, 2013. Calculations include home equity only in primary residence.
- ² Age Wave calculations based on survey responses and U.S. Census data, 2014.
- ³ Pew Research Center, 2014. “In Post-Recession Era, Young Adults Drive Continuing Rise in Multi-generational Living.”
- ⁴ PBS NewsHour, 2014. “Why more seniors are going back to college — to retire.”
- ⁵ New York Times, 2014. Kelly, C. “Choosing to Live Abroad in Retirement.”
- ⁶ Age Wave calculations based on U.S. Census, 2013. Includes migration within the U.S.
- ⁷ Centers for Medicare and Medicaid Services, 2009.
- ⁸ National Center for Assisted Living (NCAL), American Health Care Association (AHCA), Assisted Living Federation of America (ALFA), Association of Homes & Services for the Aging (AAHSA), National Investment Center for the Seniors Housing & Care Industry (NIC), 2009. “2009 Overview of Assisted Living.”

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