

Envisioning Retirement Today

Findings from the Financial Security Trends Survey shed light on retirement expectations and worries among adults ages 30-plus

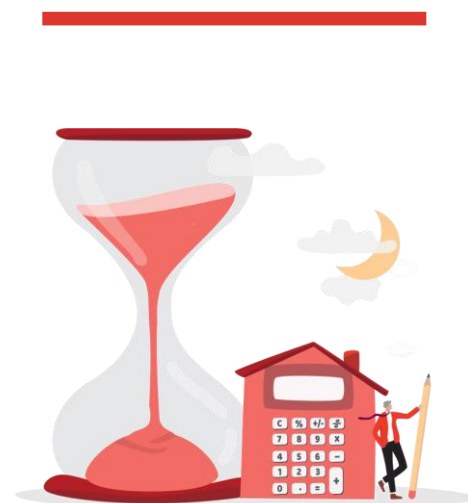


Introduction

Some have questioned whether retirement is an outdated concept or a luxury only attainable by the affluent. With increasing longevity, increases in the Social Security claiming age, and the burden shift over the past several decades from employers to individuals for amassing retirement savings, do workers today still expect to retire, and, if so, what does their vision of retirement look like?

AARP's recent Financial Security Trends Survey of adults ages 30-plus examined these questions and more, identifying how many nonretired adults expect to retire one day and exploring what retirement means today, both for current retirees as well as those who are not yet retired. It also addresses the degree to which work is viewed as part of retirement, the various ways in which people expect to fund their retirement, and the types of expenses that are most worrisome in retirement.

Examining the similarities and differences between today's adults 30-plus who are not retired and those who are retired helps us determine which views are common across both audiences and which ones are more characteristic of those who have yet to enter this stage of life.



Financial Security Trends Survey explores retirement expectations for adults ages 30-plus.

Retirement is still a widespread expectation

The Financial Security Trends Survey finds that retirement is still in fact a common expectation. Nearly three in four nonretired adults¹ ages 30-plus expect to retire one day, with a median expected retirement age of 65 reported. Among those who are already retired, the median age at which they retired was 62.

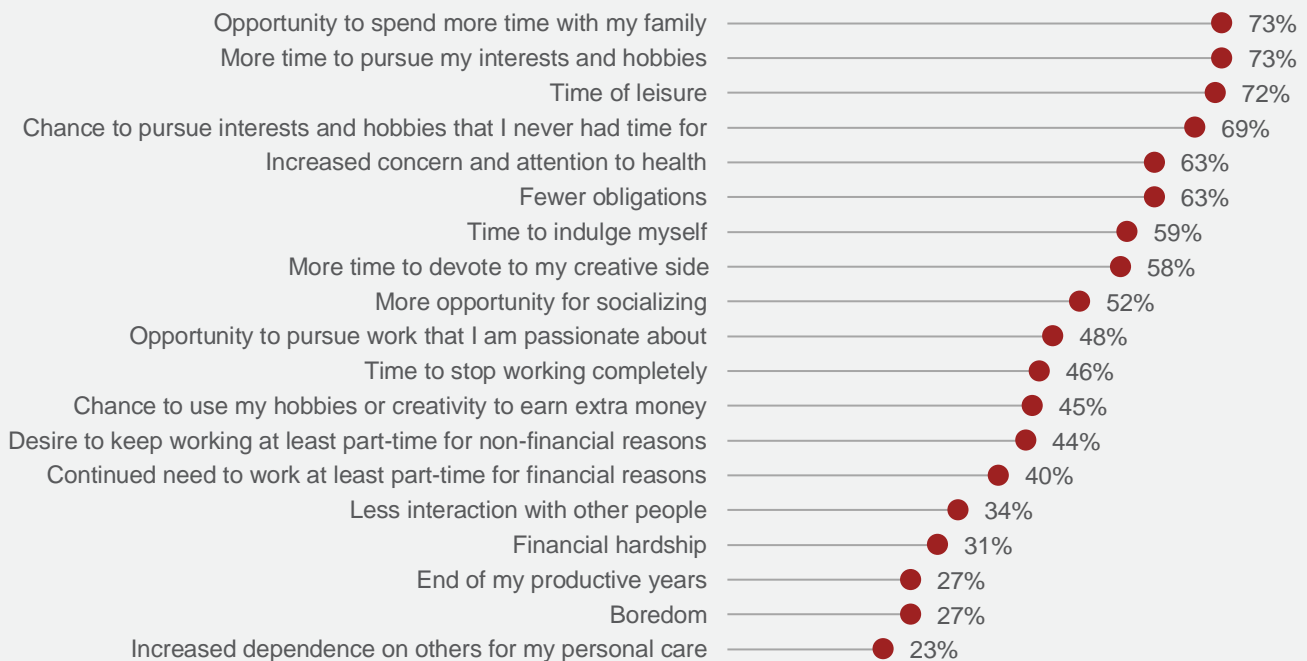
These expected and actual retirement ages align with recent findings from the long-running EBRI Retirement Confidence Survey, which has historically found that expected retirement ages in any given survey are higher than actual retirement ages, in part because many people tend to retire earlier than expected, most commonly due to health problems or disability, or because they can afford to retire earlier, or due to changes at their employer.²

Among adults 30-plus who are not retired, 73% expect to retire at some point

Retirement means freedom

When asked what retirement means to them, the majority of adults ages 30-plus say that it means more time for family and friends, more time to pursue their interests, and more time for leisure. In short, most view it as having more **freedom to choose how they spend their time**. This is true regardless of age, income, race/ethnicity, and even current retirement status and is consistent with prior research conducted on retirement.³ In fact, there is an entire list of positive phrases associated with retirement.

Percent who strongly/somewhat agree that retirement means... Among total respondents (n=7,207)



QRI_1. Retirement is a stage that signifies different things to different people. Thinking about your own situation, please indicate the extent to which you agree or disagree that each phrase describes what retirement means to you.

¹“Nonretired” refers to individuals who say that they have “never retired,” 79% of whom are currently working.

²EBRI 2023 Retirement Confidence Survey. 2023 RCS Fact Sheet #2: Expectations about Retirement.

³Millan, Carmenza, and Colette Thayer. Planning for a Successful Retirement, For People of All Ages. Washington, DC: AARP Research, November 2022. <https://doi.org/10.26419/res.00547.001>

*“Retirement is when I’m **free** from the shackles of having to work a full-time job for income to survive.”*

(Male, 30s)⁴

*“I have more **freedom** and am more selecting of what I do, who I meet, who I spend time with, and for self-care.”*

(Male, 50s)⁴

*“... the **freedom** to do things you enjoy without getting up and going to work every day.”*

(Female, 40s)⁴

*“I am **free** from work I had done for over 30 years to a new job doing something that I have always wanted to do.”*

(Female 60s)⁴



That said, approximately three out of ten adults also report some potential negative associations with retirement such as viewing it as a time of financial hardship, the end of their productive years, boredom, or increased dependence on others for care.



“I’m worried if I do retire, I won’t have enough money to support myself.”

(Female, 40s)⁴

“Retirement and aging are not things I look forward to, mainly because of the lack of preparation and fear of the unknown (especially in not knowing what health issues might impact me as I age).”

(Female, 50s)⁴

⁴Millan, Carmenza, and Colette Thayer. Planning for a Successful Retirement

Yet most expect to work in some form during retirement

Although traditionally retirement has been associated with stopping work completely, most adults today do not see retirement and work as mutually exclusive. In fact, more than eight in ten (82%) nonretired adults view retirement as a time to work in some form at least for a while. Expectations include working at least part-time for financial or nonfinancial reasons, using hobbies to earn extra money, and/or pursuing work that they are passionate about.

However, despite this widespread view that retirement and work can co-exist, more than two in five (43%) nonretired adults still see retirement as a time when one stops working completely. This apparent contradiction suggests that some see retirement as both a time to engage in some form of work and as a time to stop working completely, perhaps viewing retirement as a gradual — rather than an abrupt — shift away from work.

When comparing those who are not retired to those who are retired, it appears that some expectations around working during retirement might change as retirees settle into a new retirement routine. To make this point more clearly, below are some key differences in how current retirees and nonretired adults view working in retirement.

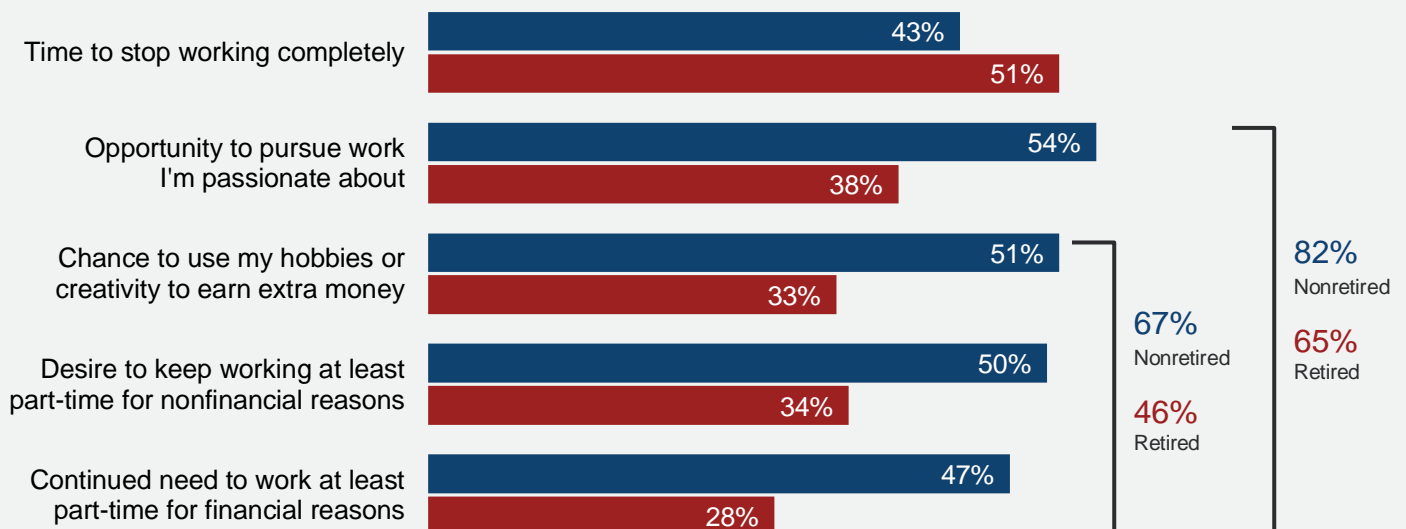


Percent who strongly/somewhat agree that retirement means...

Nonretired vs. **retired**

■ Nonretired (n=4,897)

■ Retired (n=2,306)



QRI_1. Retirement is a stage that signifies different things to different people. Thinking about your own situation, please indicate the extent to which you agree or disagree that each phrase describes what retirement means to you.

More specifically, even though two in three nonretirees indicate some intent to work at least part-time in retirement either for financial or nonfinancial reasons, fewer than half of current retirees (46%) associate retirement with working at least part-time. Moreover, just 14% of retirees are currently working, meaning that a lot can change in a matter of years. Some of today's retirees who are not working may have worked earlier in their retirement years but since stopped working. In fact, in a 2022 AARP survey, roughly one in four (28%) retirees who were not currently working said that they had worked earlier in their retirement.⁵

It is also possible that some retirees who are not currently working may have at one time envisioned working during their retirement years but now either find themselves unable to work or no longer interested in working. Trend data from the EBRI Retirement Confidence Survey support this possibility since it has consistently found that workers who are not yet retired are more likely to expect to work during retirement than are retirees to have actually done so.⁶

What worries people most about retirement?

Whether retired or not, few people worry that they will die before spending all of their savings (27%). The more common fear, held by the majority, is that they will spend their savings too quickly. Specifically, roughly two in three are worried that they may not have enough money to cover large, unexpected expenses (66%) and/or that they will simply not have enough money left in their later years (64%). To a lesser degree, 41% worry they will not be able to leave an inheritance.



Two in three non-retirees indicate some intent to work at least part-time in retirement



Two-thirds of adults 30-plus worry about their ability to cover unexpected, long-term care expenses for themselves or their spouse in their retirement years.

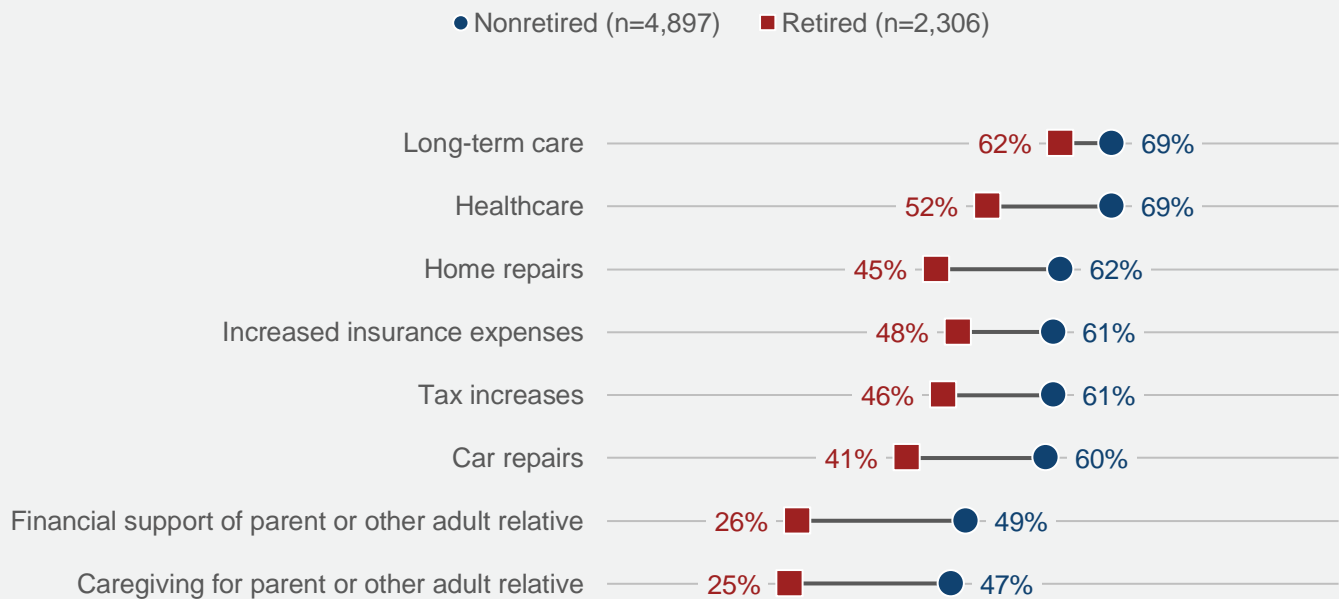
⁵Brown, S. Kathi. AARP Financial Security Trends Survey, July 2022. Washington, DC: AARP Research, November 2022. <https://doi.org/10.26419/res.00525.009>

⁶EBRI Retirement Confidence Survey. 2023 RCS Fact Sheet #2: Expectations About Retirement

The types of unexpected expenses in retirement that worry adults the most are those associated with long-term care and healthcare. However, worries about unexpected expenses for home and/or car repairs, taxes, and insurance are also common. When reviewing the concerns expressed by those who are not retired compared to those who are retired, it appears that retirees express significantly less concern for most types of unexpected expenses queried. The lower level of concern expressed by retirees may simply reflect the possibility that those who are already retired may be better prepared on average for retirement than those who aren't retired. However, it may also be the case that, compared to nonretired people, retirees are less fearful of the unexpected in retirement because they are already living in retirement and have for the most part learned to live within their retirement income.



Percent very/somewhat worried about large, unexpected expenses in retirement *Nonretired* vs. *retired*



QRI_4. How worried are you, if at all, about your ability to cover a large, unexpected expense in each of the following areas during your retirement years?

In fact, not only are current retirees less likely than nonretired adults to be worried about unexpected retirement expenses, they also generally feel more financially secure than those who are not retired.

67% of retirees rate their financial situation as excellent or good, compared to 52% of nonretired adults who claim the same.

Debt is lower but still common in retirement

One key difference between retired and nonretired adults is the amount of debt they have, and how manageable they feel that debt is. Among nonretired adults, 86% are carrying some month-to-month debt, 47% of whom say it is more than they can manage. Comparatively, among retirees, 69% carry some monthly debt; and, of those, just 29% indicate it is more than they can comfortably manage.

However, this is not to say that reaching retirement will lead to a sense of financial security for all. The fact that one in three retirees rate their financial situation as only fair or poor and roughly three in ten retirees who have debt feel that their debt is more than they can manage suggests that some retirees are most likely making hard choices in order to make ends meet. While those who are struggling in retirement may have found themselves needing to retire earlier than they expected, reducing debt as much as possible before retirement as well as building savings can go a long way toward improving retirement security.

Top three types of debt carried over from month-to-month

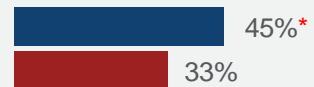
Nonretired (n=4,897)

Retired (n=2,306)

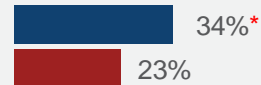
A credit card balance



Mortgage



Car, motorcycle, or other vehicle loan

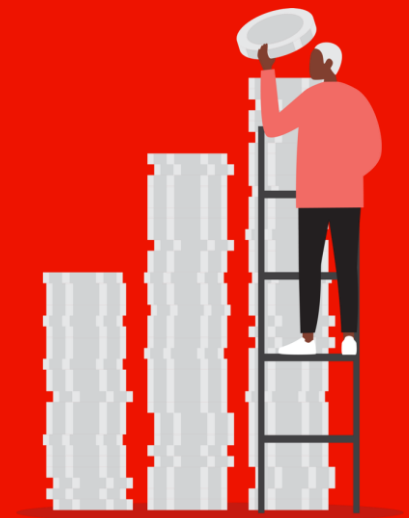


*Indicates a significant difference between segments at a 95% confidence

QC1. Which of the following types of debt do you currently carry over from month to month — that is, debts or loans that are not paid off at the end of each month?

Retirement income is expected to come from a variety of sources

Social Security is by far the most common source of retirement income cited by current retirees, but it also tops the list of expected income sources mentioned by nonretired adults. This widespread expected reliance on Social Security in retirement has been documented in other surveys as well.^{7,8} Much like current retirees, those who are not yet retired are highly likely to expect to receive retirement income from a workplace retirement savings plan such as a 401(k) or 403(b); 76% among nonretired adults and 59% among retirees. But nonretired adults ages 30-plus are far from achieving their retirement savings goal. According to our survey, nonretired adults ages 30-plus have saved an average of approximately \$200,000 but estimate that they will need roughly \$800,000. Even nonretired adults ages 50-plus report a significant gap between what they have saved so far (about \$275k) and what they expect to need (about \$750k).



⁷EBRI/Greenwald Retirement Confidence Survey. 2023 RCS Fact Sheet #2: Expectations About Retirement

⁸Levy, Vicki, and Patty David. AARP's Second Half of Life Study, in Collaboration with National Geographic Partners and Heart+Mind Strategies. Washington, DC: AARP Research, June 2022.

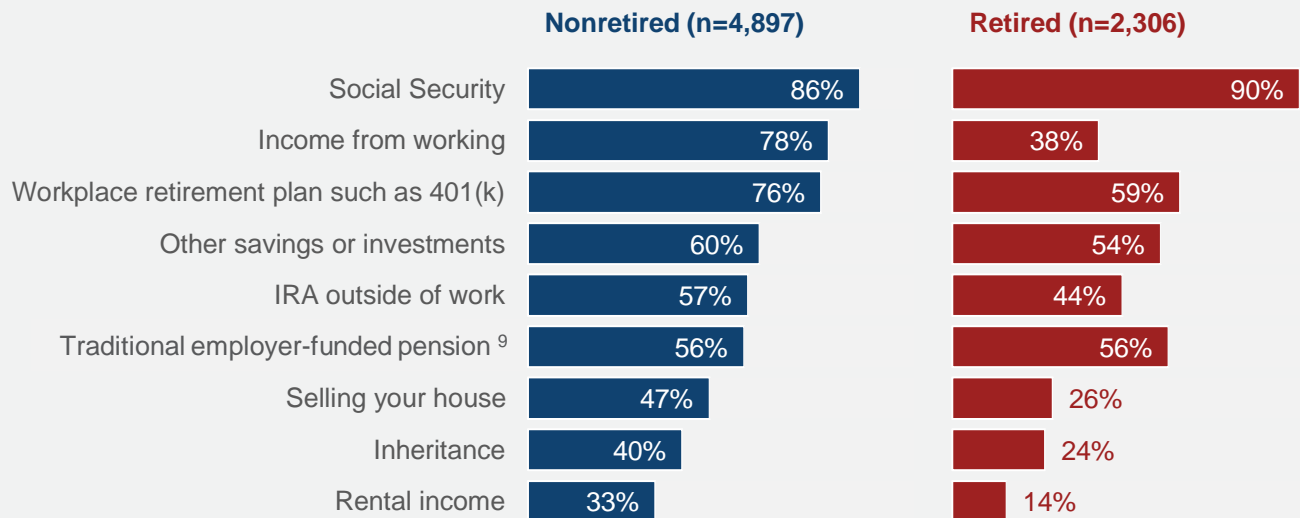
<https://doi.org/10.26419/res.00538.001>

Perhaps this gap between their current savings and what they expect to need is why 27% of nonretired adults ages 30-plus say they never expect to retire. In fact, when describing their expected sources of retirement income, nearly eight in ten (78%) nonretired adults say that they anticipate some of their retirement income to come from working, which is consistent with the previously mentioned finding that roughly eight in ten nonretired adults associate retirement with some form of work. However, this widespread expectation of working in retirement may be somewhat unrealistic. The breakdown of income sources during retirement, including expected sources among nonretirees and current sources among retirees, is outlined below.



Sources of retirement income

Nonretired (expected sources) vs. **retired** (actual sources)



QRI_6. For each of the following, please indicate whether you expect it to be a major source, a minor source, or not a source of income during your retirement years. Table displays the % of respondents who expect each to be a major or minor source.

What we don't know is the extent to which, once they reach retirement, nonretired adults will actually have the income sources that they expect to have. Although most nonretired adults who expect to receive retirement income from a workplace retirement savings plan do have such a plan today (72%), more than one in four (28%) do not currently have such a plan.

Additionally, roughly four in ten non-retired adults who say that they expect to receive retirement income from a traditional employer-funded pension don't currently have such a pension, suggesting that there may be some confusion about this item. If they are already accumulating wealth in these various vehicles, and Social Security remains a primary source, many of today's current workers may be on their way to a financially secure retirement. But with today's inflation at play and large amounts of debt looming over some, the financial concerns discussed earlier are understandable.

⁹The fact that more than half of both nonretired adults and retirees indicate that they expect to receive retirement income from a traditional employer-funded pension may indicate that some respondents did not understand this item. While pensions are rare today in the private sector, they are still relatively common in the public sector. Therefore, as we might expect, our nonretired respondents who have worked in the public sector are particularly likely to expect retirement income from a traditional pension (69%); however, a surprisingly large share (50%) of our nonretired respondents who have never worked in the public sector also said that they expect retirement income from a pension.

Implications

Retirement is still a common expectation. Most adults see retirement as representing freedom to choose how they spend their time, including more time for leisure and creativity, yet many also see work as a part of their retirement strategy. Some have negative connotations of retirement, however, viewing it as potentially a time of boredom, isolation, and hardship.

Even though some workers today may not expect to retire, it is important for all workers to do their best to prepare for the fact that they may find themselves retiring one day, whether or not this aligns with their current expectations. Building retirement savings and reducing debt are critical steps in preparing for retirement even though both of these steps can be challenging, particularly for lower income households. While some may expect to work throughout retirement to supplement their savings and pay off debt, people should keep in mind that they may find themselves unable to work for as long as they had hoped.

Workplace retirement savings programs, which facilitate automated savings through payroll deduction, are one of the most effective ways to build long-term financial security. Those who don't have access to such programs through their workplace may wish to set up automated savings into a qualified retirement account through their financial institution.

Preparing for retirement should also include planning how to fill one's leisure time, including setting aside time for cultivating existing and new interests and hobbies, maintaining social connections with friends and family, and paying attention to health and fitness needs.

Planning for both financial needs and nonfinancial needs in retirement may help reduce the sense of unease and hesitation some may experience as they approach this life stage.

More information and resources can be found here:

- [This Is Pretirement](#) is an online retirement savings resource developed by AARP and the Ad Council to help adults develop a personalized action plan for preparing for retirement.
- [AARP Money Map™](#) is an online tool that can help consumers plan for expenses, develop a debt plan, or create a budget.
- [The AARP Social Security Resource Center](#) answers a range of questions related to applying for Social Security benefits, including reasons to consider postponing the age at which you apply.
- The AARP Foundation provides links to [several resources](#) to help people connect with public benefit programs in their state.



For more information on the survey and methodology, please contact S. Kathi Brown, skbrown@aarp.org. For media inquiries, contact media@aarp.org

Brown, S. Kathi. AARP Financial Security Trends Survey, July 2023. Washington DC: AARP Research, October 2023. www.aarp.org/financialtrends