



Material Well-Being in Retirement:

The Roles of Preferences and Circumstances

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Those entering retirement need to manage accumulated resources over a long period of time

Many concerns in retirement space:

- 1- Financial awareness / literacy (e.g. planning timeframe)
- 2- Self-control (e.g. hyperbolic discounting)
- 3- Macro financial shocks
- 4- Health-related financial shocks
- 5- Cognitive decline

How generally do these risks impact financial wellbeing, overall wellbeing?

Sarah and I hope to:

→ *Improve understanding of how people in the US manage resources in retirement.*

The US Retirement System

Many diverse components from which to accumulate resources

People tend to rely on multiple components of wealth in retirement.

→ *How are people doing managing the components?*

We employ the following data to construct and analyze peoples' balance sheets

- *Social Security Administration mortality data 1992 – 2020, by gender.*
- *BLS CPI-U-RS data 1992 – 2020.*
- *RAND Longitudinal File data from: 2016v.2 –and– 2020v.2.*
- *RAND Fat File prior job pension data from:*
 - 1996 anchor year *sample is 55-65 years old (late career → retirement)*
 - *2012*
 - *2014*
 - *2016* *sample is 75-85*
 - *2018*
 - *2020* *sample is 79-89.*




Prior Literature

Brief summary of relevant work using HRS data collection

Data Quality

- Dushi & Trenkamp (2021), ~ & Bee & Mitchell (2024) find:
 - *HRS data are of higher quality than CPS.*
 - *Though they underreport retirement income somewhat, HRS panel data are of high quality.*

Work to build estimates of wealth using restricted HRS data

- Gustman, Steinmeier, and Tabatabai (2010, 2014)
 - Kapinos et al. (2016)
 - Fang and Kapinos (2016); Fang et al (2022)
 - Fang (2024 | RAND HRS 2020v.2)
- 
- *Motivated by a shared general interest in fuller picture of retirement resources.*

Recent work to determine late retirement financial positions

- Lusardi & Mitchell (2008) find: *Planning closely associated with financial literacy.*
- Poterba, Venti, and Wise (2018) find: *Households at risk of financial difficulty in late retirement typically experienced difficulty before retirement.*
- Rohwedder, Hurd, and Hudomiet (2022) find: *Declines in consumption are more likely tied to changes in preferences not resources.*



HRS data and methods

Overview of Analysis of HRS Data

Holden & Seligman approach for select components

We estimate households' wealth in each wave:

→ Construct three new per-capita measures of wealth from the public HRS data:

-1- PV Social Security income

-2- PV DB pension and annuity income

-3- Work with full data on DC balances– including prior job balances.

{1996, 2012, 2014, 2016, 2018, 2020}

(Note : Birth cohorts we target have less lifecycle experience with DC pensions than later cohorts.)

→ Add in other net wealth components from RAND Longitudinal File data.

- housing, other real estate, financial assets, vehicles, less any debts.

Estimated from self-reported DC pension balance data

RAND Fat Files report on up to 10 prior job DC balances.

- *Increasingly important through one's working career.*

Illustration of impacts for mean per-capita DC balances

(using just 507_1 pension classification data for first prior job in *Fat Files*):

Ages ¹	Year	RAND panel	Including Fat File	Fat File impact	N	Total defined contribution wealth ²	Full surviving sample
55-65	1996	no 507 codes in this wave			-	\$20,411	2,761
71 - 81	2012	\$29,413	\$66,204	2.3 times	715	\$25,056	2,761
73 - 83	2014	\$14,442	\$48,274	3.3 times	1,628	\$20,153	2,761
75 - 85	2016	\$12,977	\$46,841	3.6 times	1,542	\$19,871	2,761
77 - 87	2018	\$8,739	\$51,073	5.8 times	872	\$15,373	2,761
79 - 89	2020	\$8,922	\$54,613	6.1 times	820	\$15,308	2,761

All figures in 2020 dollars.

1: Required Minimum Distributions are required from age 70-71 onwards for these cohorts.

2: Generally, defined contribution wealth can be moved to an IRA, saved outside of tax-deferred investments, or spent.



Other Wealth

IRAs, net housing, other real estate, and financial investment

We take as given self reports of

- IRAs,
- Net housing (primary residence and any second home),
- Other real estate,
- Financial investment,
- Other net wealth.

Big improvement in the 2020 vs. 2016 RAND panel:

→ Ability to include net values of second homes.



Results

- Per-capita wealth & wealth relative to late career (1996)
- Changes in socio economic standing (mobility)
- Satisfaction with finances and with life
- Regression analysis including preferences & circumstances.

Absolute Measures of Total Wealth

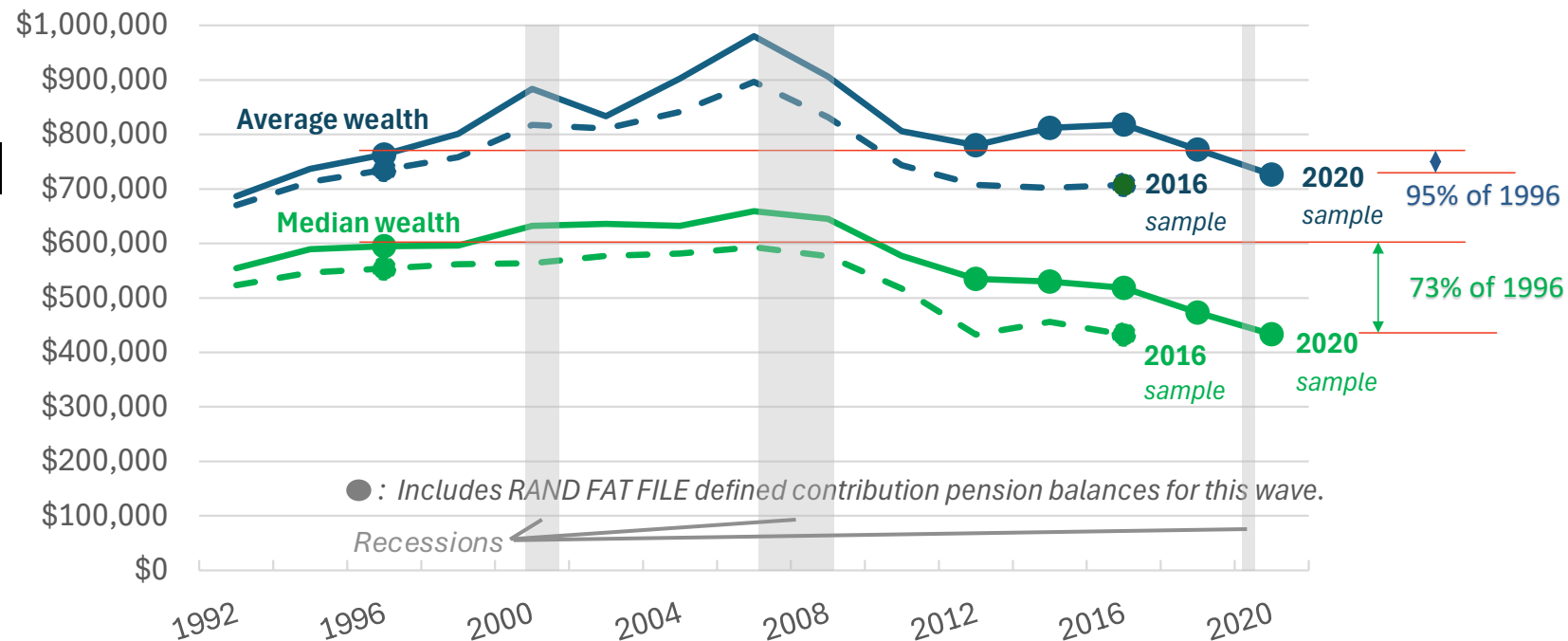
1992 - 2020

Means and Medians

2020 sample (N = 2,761) and 2016 sample (N = 4,172) compared

		2020v.2	
Age	Year	Mean	Median
51 - 61	1992	\$686,522	\$554,364
53 - 63	1994	\$736,604	\$589,520
55 - 65	1996	\$762,791	\$594,745
57 - 67	1998	\$801,286	\$595,894
59 - 69	2000	\$883,751	\$632,417
61 - 71	2002	\$833,191	\$635,588
63 - 73	2004	\$902,434	\$632,166
65 - 75	2006	\$980,278	\$658,801
67 - 77	2008	\$906,184	\$645,049
69 - 79	2010	\$806,034	\$576,846
71 - 81	2012	\$780,216	\$534,633
73 - 83	2014	\$811,982	\$529,700
75 - 85	2016	\$818,114	\$518,086
77 - 87	2018	\$772,376	\$473,255
79 - 89	2020	\$726,637	\$433,457

2020 / 1996	95.3%	72.9%
2020/1992	105.8%	78.2%



Mobility of Wealth (2016 data)

1996 - 2016

Percentages of population in column (or row) decile of sample in 1996 and 2016

		2016											
		1	2	3	4	5	6	7	8	9	10		
1996	1	44%	25%	11%	9%	3%	3%	2%	1%	1%	0%	Remain within one decile	57%
	2	21%	24%	18%	13%	11%	5%	2%	2%	2%	0%		
	3	12%	18%	22%	17%	10%	10%	5%	3%	2%	1%	No decline greater than one decile	79%
	4	7%	9%	18%	14%	19%	11%	9%	7%	4%	3%		
	5	4%	10%	12%	17%	14%	12%	14%	9%	6%	2%		
	6	6%	4%	8%	9%	14%	18%	16%	10%	10%	3%		
	7	2%	4%	4%	10%	12%	14%	16%	16%	12%	9%		
	8	2%	3%	2%	7%	5%	12%	16%	24%	16%	11%		
	9	2%	1%	4%	1%	7%	8%	15%	16%	25%	23%		
	10	1%	1%	1%	2%	4%	6%	4%	12%	21%	47%		

Source: Authors' estimation & tabulations of:

RAND HRS 2016 V2 panel data set, enhanced with RAND HRS fat file data {1996, 2016}.



Mobility of Wealth (2020 data)

1996 - 2020

Percentages of population in column (or row) decile of sample in 1996 and 2020

		2020											
		1	2	3	4	5	6	7	8	9	10		
1996	1	51%	36%	19%	9%	3%	7%	3%	1%	1%	0%	Remain within one decile	
	2	27%	25%	18%	14%	10%	6%	4%	3%	1%	0%		
	3	10%	14%	23%	17%	9%	9%	7%	5%	3%	0%		
	4	2%	8%	16%	16%	12%	15%	7%	4%	4%	3%	54%	
	5	2%	5%	10%	15%	15%	13%	12%	10%	5%	2%		
	6	4%	3%	5%	9%	18%	12%	16%	12%	7%	3%	No decline greater than one decile	
	7	0%	3%	4%	8%	14%	15%	17%	14%	12%	10%		
	8	3%	1%	2%	5%	10%	12%	14%	22%	16%	10%		
	9	0%	4%	1%	6%	5%	6%	14%	13%	26%	27%	80%	
	10	0%	1%	1%	0%	3%	4%	6%	16%	25%	43%		

Source: Authors' estimation & tabulations of:

RAND HRS 2020 V2 panel data set, enhanced with RAND HRS fat file data {1996, 2020}.



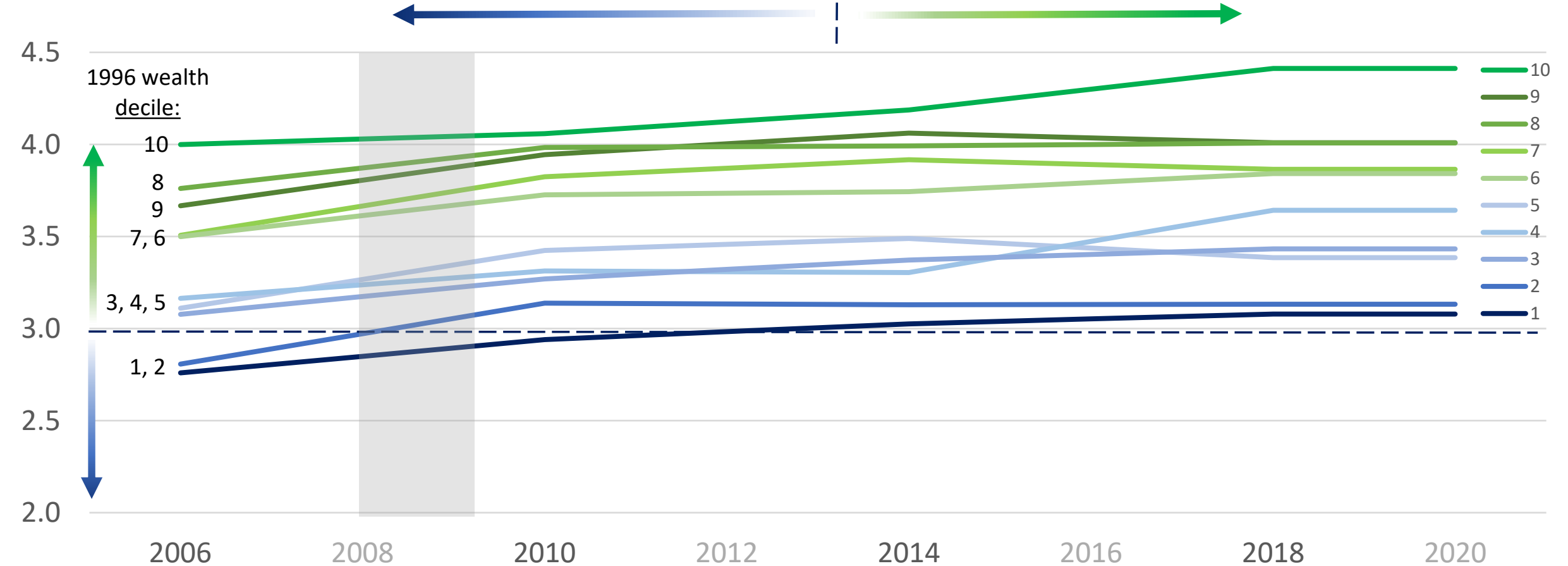
Evolution of Financial Experience

Question asked intermittently from 2006 onwards: 2006 – 2018

This is not attrition – we are holding the sample to just survivors through 2020.

S A T I S F A C T I O N W I T H P R E S E N T F I N A N C I A L S I T U A T I O N

1: not at all satisfied | 2: not very satisfied | 3: somewhat satisfied | 4: very satisfied | 5: completely satisfied

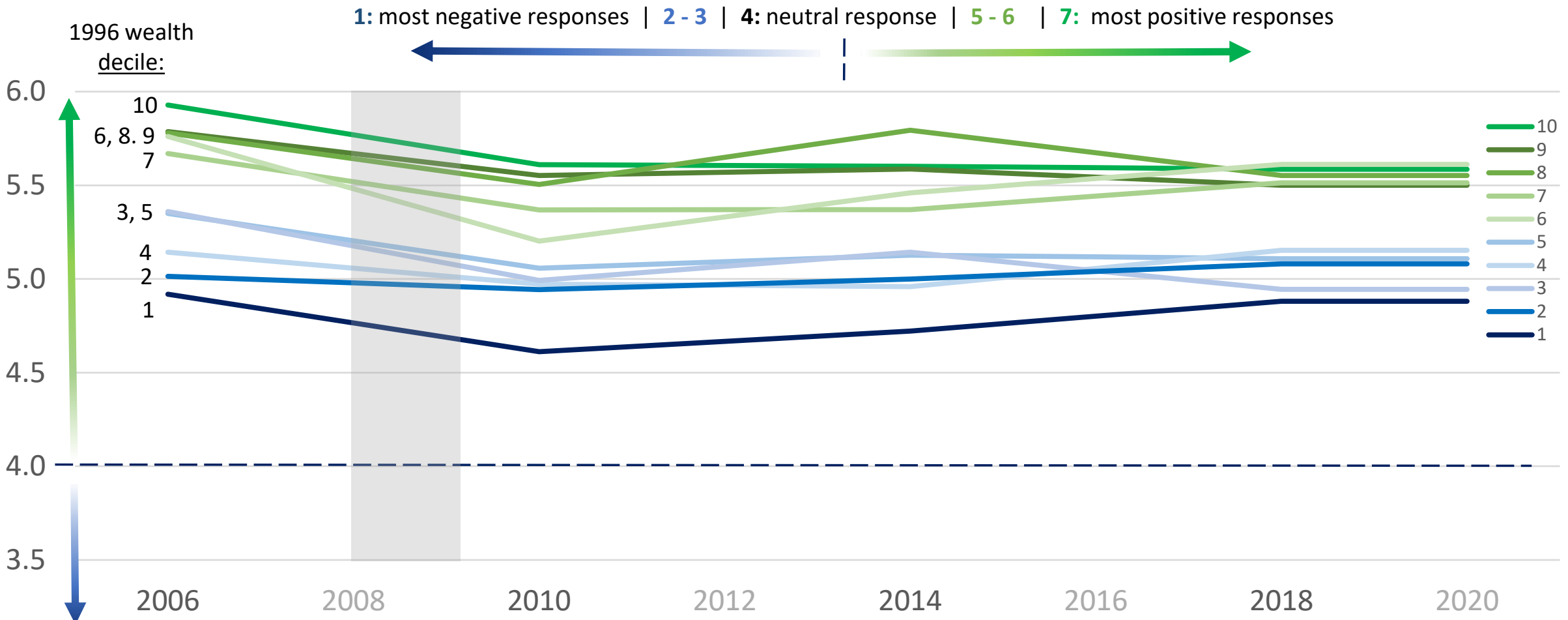


Evolution of Life Experience

Question asked intermittently from 2006 onwards: **2006 – 2018**

This is not attrition – we are holding the sample to just survivors through 2020.

L I F E S A T I S F A C T I O N



Results for per-capita total wealth decile, total wealth, and retirement wealth in 2020.

Dependent variables (all refer to 2020 outcomes):	Per-capita total wealth decile			Per-capita total wealth			Per-capita retirement wealth		
	Robust Ordered Probit (clustered at household)			Robust OLS (clustered at household)			Robust OLS (clustered at household)		
	coefficient	t	P> t	coefficient	t	P> t	coefficient	t	P> t
Age	-0.03	-4.63	0.0%	-\$5,888.75	-1.46	14.4%	-\$10,590.83	-7.68	0.0%
Female	0.04	0.90	37.0%	\$15,429.55	0.35	72.4%	-\$32,485.46	-2.29	2.2%
Number of waves in which married	0.02	4.10	0.0%	\$4,476.46	1.32	18.6%	-\$2,716.01	-3.16	0.2%
Number of marriages									
Highest educational degree	0.20	4.92	0.0%	\$228,871.40	5.45	0.0%	\$62,420.72	4.51	0.0%
Number of years of education highest degree	0.02	0.32	74.8%	-\$141,698.70	-2.63	0.8%	-\$45,868.57	-2.82	0.5%
Number of years of mother's education	0.05	6.16	0.0%	\$24,355.55	3.47	0.1%	\$3,045.68	2.33	2.0%
OASI full retirement age (in months)									
OASI claiming age (in months)	0.00	2.48	1.3%	\$1,084.03	3.53	0.0%	\$288.64	2.03	4.2%
Whether or not ever received DI payments	-0.26	-1.93	5.3%	-\$82,184.03	-1.58	11.3%	-\$17,219.20	-1.18	23.9%
Number of waves receiving DI payments	0.02	1.19	23.5%	\$16,421.03	2.31	2.1%	\$1,648.06	0.84	40.3%
Whether or not ever received SSI income	-1.30	-1.85	6.4%	-\$230,155.20	-1.30	19.5%	-\$135,815.40	-2.24	2.5%
Expected Pr of living to age 75 (in wave 4 or earlier)									
Expected Pr of living to age 85 (in wave 4 or earlier)									
Self assessed health (in 1996--late career)	0.18	3.51	0.0%	\$53,878.18	0.97	33.3%	\$14,725.72	1.18	23.8%
Cumulative changes in health reports through 2020	0.00	0.62	53.3%	-\$5,271.26	-1.16	24.8%	-\$1,825.77	-1.47	14.2%
Financial planning horizon (1, ... 5 longer than 10 years)	0.23	8.61	0.0%	\$122,146.20	5.00	0.0%	\$14,362.23	2.77	0.6%
Direction of change in planning horizon through 2020 (learning)	0.22	6.95	0.0%	\$121,481.70	4.42	0.0%	\$16,456.16	2.44	1.5%
Debt to asset ratio in 1996 (categorical {1, ..., 10} in deciles)	-0.03	-3.88	0.0%	-\$27,510.70	-4.03	0.0%	\$1,203.88	0.83	40.9%
Probability of leaving a "sizable" bequest at initial interview	0.00	6.94	0.0%	\$3,217.41	4.54	0.0%	\$124.09	0.55	58.5%
Attached to the laborforce in 2020									
Constant		N / A		-521,151.80	-1.17	0.24	\$800,869.00	6.63	0.0%

N = 2,294

Sample is:

- * Comprised of living individuals.
- * Roughly 65 percent female and 35 percent male.
- * Aged (55-65) in 1996 and (79 -89) in 2020.

Total wealth includes:

- * Retirement wealth
- * Housing wealth (net of debts)
- * Other real estate (net of debts)
- * Other financial assets
- * The net value of vehicles, jewels, and other collections

Retirement wealth includes:

- * PV of Social Security wealth
- * PV of DB pension and annuity wealth
- * DC pension balances
- * IRA balances



Summary of Work and Findings

Concluding remarks

Our objective:

→ *Improve understanding of how people in the US manage resources in late career and retirement.*

Our approach:

→ *Consider holistic view of how per-capita wealth evolves over retirement.*

We find that in retirement:

→ Wealth declines, albeit it moderately.

→ Mobility measures show that large negative changes in circumstances are increasingly rare.

Preferences matter! People with:

→ more education, who plan, learn to plan, have lower debt : asset, or have bequest motives .

Circumstances matter! People with:

→ better health, stronger maternal education, less difficulty completing their education .

Thank You

We welcome thoughts, comments, and critique



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Sample Frame – Focus on Survivors

Addressing prior questions & critique

The focus on survivors through ages 75 – 85 is based on their need to manage retirement resources. Nonetheless, we have been asked about survivorship over time.

		surviving through 2016?	
		no	yes
1996 wealth decile	1	58.2%	41.8%
	2	47.0%	53.0%
	3	40.8%	59.2%
	4	43.1%	56.9%
	5	35.7%	64.3%
	6	33.4%	66.6%
	7	31.4%	68.6%
	8	27.9%	72.1%
	9	20.1%	79.9%
	10	23.6%	76.4%
Overall	36.1%	63.9%	

In fact, as one might expect, those in lower wealth deciles in 1996 were less likely to survive to 2016.

We are not going to tell you:

-a- they were on some sort of optimal glidepath,

-b- or that they mismanaged their retirement wealth.

We do think that arguments like those in Poterba, Venti & Wise 2018 are more likely resonant – their hardship was sown earlier in life.



Mobility of Wealth (2020 data) – full transition matrix

1996 -2020

Percentages of population in column (or row) decile of sample in 1996 and 2016

		2020										
		1	2	3	4	5	6	7	8	9	10	
1996	1	8%	35%	23%	13%	4%	10%	4%	1%	1%	1%	9%
	2	4%	24%	22%	18%	14%	8%	6%	3%	1%	0%	9%
	3	1%	12%	26%	21%	12%	12%	9%	5%	2%	0%	10%
	4	0%	7%	17%	19%	16%	20%	10%	4%	4%	3%	10%
	5	0%	5%	11%	17%	19%	16%	16%	10%	5%	2%	10%
	6	0%	2%	6%	11%	23%	15%	22%	12%	6%	3%	10%
	7	0%	2%	4%	9%	16%	17%	21%	13%	10%	9%	11%
	8	0%	1%	3%	6%	13%	15%	18%	21%	13%	9%	10%
	9	0%	3%	1%	6%	7%	7%	18%	12%	21%	25%	11%
	10	0%	1%	1%	0%	4%	6%	8%	16%	22%	42%	10%
		1%	9%	11%	12%	13%	13%	13%	10%	9%	10%	100%

Source: Authors' estimation & tabulations of:
 RAND HRS 2020 V2 panel data set, enhanced with RAND HRS fat file data {1996, 2020}.

