Insecurity Grows Among Retirees

By Editor Test *Wed, Jul 22, 2009*

LIMRA's survey shows an increase in the numbers of retirees who feel they need a personal financial advisor.

The number of retirees who say they are worried about financial security has more than doubled in the past year, and many are tightening budgets or seeking professional financial advice. Forty-nine percent of retirees said they felt less secure than when they first entered retirement, compared with 20% who said so last year.

The findings come from a survey of retirees aged 56 to 77 with $100,000 or more in investable household assets, conducted by LIMRA, the Society of Actuaries (SOA) and the International Foundation for Retirement Education (InFRE). The organizations released the findings July 14 in a report titled *What a Difference a Year Makes*, highlighting changes in retirees' attitudes from 2008 to 2009.

Of the retirees surveyed, 43% said their tolerance for investment risk has gone down since last year, and many were concerned about the possibility of inflation.

The retirees whose investment risk tolerance declined in the past year gave the following main reasons:

- Concern about the economy, 79%
- Concern about future inflation, 45%
- Not enough time to recover from the economic downturn, 39%
- Change in house value, 28%

"Retirees are definitely feeling the effects of the 2008 financial crisis, and have begun changing their behavior," said Sally A. Bryck, LIMRA associate research director, who led the project. "While seven in 10 respondents said they can still cover their basic expenses and afford a few extras, the number who said they spend money on whatever they want dropped sharply from 38% in 2008 to 22% in 2009.

"We also see an increase in the number of retirees who have personal financial advisors," Bryck added. "Today 61% say they have a personal financial advisor compared to 56% in 2008. Seeking professional help shows how severely things have changed and how unsure retirees are about doing things themselves."

The survey also found a significant decline in the number of retirees who feel very confident they have saved enough money to live comfortably throughout their retirement. Today, only one in four of the retirees are extremely confident they have saved enough, a 12 percentage-point drop year over year.

One way to decrease concern over outliving money, risks of inflation, and other financial hazards is to use some financial assets to generate guaranteed lifetime income.

SOA member Anna Rappaport, FSA, MAAA, noted that, "Unfortunately, many retirees are not thinking long term. Even among retirees for whom Social Security does not cover their basic expenses, a guaranteed lifetime income, such as that provided by an annuity, is not a core focus of the retirement plans of the retirees surveyed. Among retirees whose core expenses are not covered by Social Security, 31% indicated interest in converting a part of their savings into guaranteed lifetime income."

"To make sure they do not outlive their assets, retirees need to take an actuarial perspective in managing retirement risks and focus on long-term goals and challenges," she added.