



Call for Papers – Retirement Spending and Changing Needs During the Retirement Period

I. INTRODUCTION

Traditional thinking has been that, in order to continue the same pre-retirement living standards in retirement, one needs about 70% to 80% of pre-retirement income at retirement with adjustments for cost of living increases. This percentage range was developed when the retirement process was fairly uniform: full retirement at a fixed age with basic expenses covered by Social Security and private plan annuities along with individual savings for discretionary income. Many employers provided subsidized early retirement benefits, softening the blow if retirement came earlier than expected. For health expenses, many retirees had both employer and Medicare medical plans.

The process of retirement is significantly changing and previous expectations have been altered. Many people now work (usually on a reduced basis) early in retirement, retirement accumulations come in the form of single sums that individuals must both accumulate and manage, early retirement subsidies are disappearing and many individuals, particularly in the future, will only have Medicare to cover medical expenses. Along with changing trends and greater individual responsibility, there is emerging disagreement about the appropriate level of replacement ratios. Some experts say that more than 100% is needed because of rising medical costs and long term care needs, while others conversely suggest that expenses can be greatly reduced in retirement and that 40% to 50% of pre-retirement expenses is the appropriate level.

This call for papers focuses on understanding needs and spending in the post-retirement period, as defined as the period after leaving full-time work. Most individuals self-identify themselves as “retired” when they retire from full-time work in their primary occupation. These people may still be working, on a part-time or project basis, or may shift back to full-time work for short periods. However, most individuals will start to draw some retirement income during this phase.

This Call for Papers is addressed to all professionals knowledgeable in the subject matter. Collaboration is encouraged and authors may submit more than one paper.

The following organizations have agreed to participate in this research endeavor with the SOA. Additional organizations may be added to the list in the near future.

American Academy of Actuaries
Canadian Institute of Actuaries
Center on an Aging Society
Conference of Consulting Actuaries
Employee Benefit Research Institute (EBRI)
The Gerontological Society of America
Institute of Actuaries of Australia

LIMRA International
Pension Research Council
Profit Sharing Council of America
Social Security Administration

II. CONTENT

This call for papers is organized around three themes related to retirement spending and needs. The first theme is understanding the difference between spending on essential, discretionary and unpredictable needs. Essential spending would be for the most basic day-to-day needs: food, clothing, shelter and medical care. Discretionary spending would cover all predictable, non-essential spending, including gifts, travel and dining out. Unpredictable needs would include high cost, unpredictable items such as catastrophic medical costs, long-term care and living to an extreme old age. The second theme is how sources of retirement income change consumption patterns. Does retirement consumption change depending on whether the income is derived from an annuitized stream of payments, a single self-managed lump sum, or from work? The third theme considers what strategies retirees use to plan for and adjust their consumption. How does consumption adjust over time, and how much are retirees able to and how often do they adjust their consumption patterns?

In the suggested topics, we reference “differences by individual characteristics.” By this we ask the authors to consider how individuals (or households) make decisions based on their economic status, gender, education level (e.g. high school or below or more than high school), marital status, retirement timing and impetus (e.g., when planned, earlier than expected, due to illness) and other characteristics.

We are primarily interested in papers covering experience in U.S. or Canada but welcome papers from other countries. We ask that papers consider these issues within a single country as the underlying social insurance and medical care system affects retirees’ consumption decisions.

Possible topics for papers are suggested below, grouped by theme. Suggested topics may cover one or more themes. The list below are suggested topics only and are in no way meant to preclude other appropriate topics within the scope of the call for papers.

Essential, discretionary & unpredictable needs

- What is essential rather than discretionary spending? How does this differentiation change over the retirement period? How do individual characteristics determine what is essential versus what is discretionary? How is essential versus discretionary altered if the retiree is still working? How is it altered if the retiree enters retirement with significant debt?
- To what extent are discontinuities in income changing retiree’s resource allocation for essential and discretionary needs? Are income disparities driving greater wedges in the spending on essential versus discretion? How is this affected by individual characteristics?

- How is essential and discretionary spending affected by stage of retirement? By age in retirement or other characteristics? How does preparation for meeting unpredictable needs change by stage of retirement? By age of retirement or other characteristics?
- To what extent are definitions of essential and discretionary spending frozen at retirement, based on current living standards? Are retirees able to effectively realign their living standards to reduce essential spending (e.g. by moving to lower cost area)? How does this work, and how successful are these strategies?
- What is the impact of the death of a spouse? How does the death of the spouse change definitions of essential and discretionary spending? Is the change greater or less than anticipated? How does the death of the spouse change how retirees prepare for unpredictable needs?
- Where does the bequest motive fall along the needs spectrum? Is it essential or discretionary? Do retirees rely on unused “unpredictable needs” assets for bequest motives? And how does that vary by household?

Sources of Retirement Income

- How are essential and discretionary income affected by resources? Do individuals spend annuitized income differently than a “draw down” of assets? Is spending for essential, discretionary and unpredictable needs allocated differently depending on source of income? Does this spending pattern vary based on individual characteristics?
- How likely are people to change how they prepare for unpredictable needs based on retirement resources? Are they more or less likely to pool risks (e.g., buy insurance) if they have annuitized income versus single sums? Do retirement resources affect how individuals manage and mitigate risk? How is home equity considered in this equation?
- How does working in retirement relate to post-retirement spending? Do people work to cover specific expenses, such as travel cost and extras? Do they draw down more or less assets if they’re working? How does that vary by individual characteristics?

Changing Consumption Patterns

- What is the shape of the spending curve during retirement? How does this shape change over time? How do spending curves vary by individual characteristics? How is this affected by working (full, part-time or on a project basis)? What events can cause discontinuities, and how should they be factored in?
- To what extent are people spending at a level early in retirement that will not be sustainable? Do they recognize this and are they making a conscious choice? Is inability to understand life expectancy and longevity a driver of overspending, particularly on discretionary needs?
- How can consumption patterns be changed voluntarily? What impact does changing consumption have on the well-being and satisfaction of retirees? How does this vary by retirement resource level? What factors drive how satisfied retirees are?

- How much are people willing to scale back to retire early?
- How do actual experiences in retirement match expectations? Where there is a mismatch, what are adjustments are retirees making to address the situation?
- How useful and relevant are replacement ratios for describing essential needs? For describing discretionary needs? Are there other approaches that could be used for planning? How can the replacement ratio, which is an average, be translated into something more useful for an individual? How useful are they in reflecting changing patterns of consumption over retirement?

Please note:

- Papers may focus on a particular area or provide a broad perspective.
- Authors may submit either original research or expository papers. Where alternative funding standards are presented, examples of how they would work are important.
- The papers have no required length. The papers will:
 - o Appear in an online SOA monograph and, where appropriate, SOA publications such as *The Pension Forum* and,
 - o Be submitted, upon author request, to the *North American Actuarial Journal (NAAJ)* or other suitable peer-reviewed publications for publication consideration.

The SOA reserves the right not to publish a paper if it does not meet the criteria and standards of the review group.

III. PROCEDURE FOR SUBMISSION OF ABSTRACTS

Submit an electronic abstract or outline for your proposed paper by **August 15, 2006** to:

Susan Martz
 Phone: 847-706-3558
 Fax: 847-273-8558
 E-mail: smartz@soa.org

At a minimum, the submission should include a brief description of the subject of the paper, a list of key items to be covered, and a biographical paragraph containing the author's experience, prior publications and presentations.

IV. PROCEDURES FOR REVIEWING ABSTRACTS

All submissions will be reviewed by a group of representatives from the Society of Actuaries and other organizations.

The primary purpose of this review is to compile a set of papers appropriate for publications and/or presentation at a conference. Final submissions will be accepted, accepted subject to revision, or declined. The group is scheduled to complete its evaluation of the abstracts/outlines by **September 30, 2006**.

V. SUBMISSION OF PAPERS

All papers, based on accepted abstracts, must be completed and submitted no later than **March 31, 2007**. The symposium or conference to present the papers, if appropriate, will be held no earlier than **May 1, 2007**.

The procedure for submission of papers includes the following specific guidelines.

- Submissions that have a copyright must be accompanied by written permission to reprint.
- Submissions should be made electronically to Susan Martz at smartz@soa.org.

VI. PUBLICATION AND PRESENTATION

The Society of Actuaries reserves the right to publish all papers and to copyright all published papers without a previous copyright. In addition, excerpts or synopses of the papers may be published for promotional purposes. It is anticipated that the papers will be published. Authors can submit their papers to other publications provided that the Society of Actuaries can maintain the right to publish the papers.

The review group will determine if a conference or symposium for presenting the papers is appropriate. Should this occur, authors may receive reimbursement, up to a limit, to cover travel and meal expenses incurred.

VII. QUESTIONS

Please direct questions regarding this Call for papers to either:

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