Overview

Even under relatively normal conditions, planning and preparing for retirement—estimating how much to save and when to retire—are difficult. These decisions can be further complicated in times of economic uncertainty. And unforeseen health concerns or family circumstances may lead someone to retire earlier than planned.

Now the COVID-19 pandemic and its ongoing financial and health fallout have exacerbated a challenging retirement picture for many Americans, leading to two questions: Has the pandemic changed the savings behavior of retirement plan participants? And are workers delaying retirement because of the pandemic?

Americans closest to retirement have been affected by the pandemic’s economic consequences differently from younger generations: After then-President Donald Trump declared the pandemic a national emergency in March 2020, the unemployment rate for workers age 65 or older peaked at 15.6% in April 2020, the highest rate recorded for this group since record-keeping began in 1948. This exceeded the rate of unemployment for those ages 25 to 54 by 3 percentage points, the largest gap between these groups ever recorded.1

People who have already retired, on the other hand, count not on employment income and workplace benefits but on Social Security and Medicare as well as their own savings and any pensions they may have, so they have been much less affected by the large layoffs associated with COVID-19.2 The challenges they face are different: deciding how much to withdraw from their savings and when, making this group more reliant on the performance of the stock and bond markets.
As part of a larger study examining retirement preparation and planning among near and recent retirees, Pew surveyed 1,125 near and recent retirees ages 55 to 75 with at least $30,000 saved for retirement. Of these, 589 were working full time and 536 had already retired. The survey was conducted May 12 to June 5, 2020.

The results show although some older Americans plan to delay their retirement as a result of the pandemic, the majority have not changed their plans for retirement. Even fewer have made substantive changes to their retirement savings behavior, such as decreasing the amount they are saving or making additional withdrawals.

These findings, and others, provide an early picture into how near and recent retirees are thinking about and handling the economic implications of the COVID-19 pandemic:

- Most near retirement had not changed their plans, but many who retired before the pandemic had departed the workforce earlier than they intended to, perhaps because of layoffs or health concerns. This serves as a wake-up call to older workers who plan to delay retirement.
  - Just 16% of those currently working said they planned to retire later than expected because of the financial effects of the COVID-19 situation. However, greater percentages of older workers said they planned to delay their retirement. (Detailed age breakdowns are presented below.)
  - Those with employers that offered financial counseling on transitioning to retirement were less likely to have changed their plans as a result of the pandemic. Such counseling may give workers an opportunity to develop a plan about when and how to make the transition to retirement, helping them to understand and prepare for a situation such as the pandemic.
  - Nearly 2 in 5 recent retirees—who left the workforce before the onset of the pandemic—say they retired earlier than they planned, with most citing layoffs or their health as the most significant reason.

- Among both retirees and those still working, just over 1 in 10 said they had withdrawn more than usual from their retirement accounts since the start of the pandemic.
  - The majority of those who withdrew more than usual said they needed the additional money to cover unexpected expenses.
  - Only 14% said their additional withdrawals were directly related to the pandemic.

**COVID-19 has an initially small but increasing impact on retirement planning, depending on age**

The vast majority of surveyed older workers do not plan to retire later as a result of COVID-19; just 16% of those who were working full time reported that the pandemic would push them to retire later than they had planned. But stated plans to delay retirement differed by age group:

- Just 12% of those ages 55 to 58 and 17% of those ages 59 to 62 said they planned to delay their retirement as a result of COVID-19.
- For those ages 63 to 67, nearly 3 in 10 (28%) said they planned to delay their retirement.
- The numbers are higher among those ages 68 to 70 and 71 to 75, with 34% and 26%, respectively, saying they planned to retire later as a result of COVID-19. But because these older workers represent a smaller share of the workforce, the intentions of workers 62 and younger had greater weight in the overall figure of 16%.
Previous research has found that declines in the stock market lead more-educated workers, who are more likely than less-educated workers to own stocks, to delay retirement. And fears about market decline or volatility in the early months of the pandemic could have led some workers to say they planned to delay, particularly among the workers who were nearest to retirement age. But survey respondents ages 55 to 62, who were the least likely to say they would consider delaying retirement, may feel they have time to ride out any market downturn associated with the pandemic. And previous research also found that rising unemployment rates and the resulting difficulty finding work led less-educated workers to retire earlier than they had planned.

Meanwhile, only 12% of surveyed workers ages 55 to 62 said they never plan to retire, compared with more than half of those age 68 and above (which is probably due, at least in part, to the fact that many of those in the older age groups have already retired, leaving in the workforce mostly those who either planned to retire later or not at all). And nearly 3 in 5 of those ages 55 to 58 plan to retire by age 66, while more than half of those ages 59 to 62 plan to do the same.

Having more money saved for retirement does not reduce the likelihood that respondents say they will delay retirement. Those with $100,000 to $149,999 saved had the highest proportion saying they planned to delay, at just under 3 in 10 of respondents. Among those already claiming Social Security, about 3 in 10 said they planned to retire later, while just about 1 in 5 of those who hadn’t begun claiming said they planned to retire later.
Figure 1

**Amount Saved for Retirement and Delay of Retirement Because of COVID-19**

Highest rates of planned delay are among those with $100,000 to $149,999

The survey asked respondents about the types of supports and benefits their employer offered to help them get ready for retirement. Counseling on the transition to retirement not only may assist workers in developing a plan for how and when to retire but also may prepare them for uncertain economic conditions, such as those the country has experienced during the pandemic. Those who were offered counseling and advice on transitioning into retirement (which was available to nearly 3 in 10 workers) were significantly less likely to say they had delayed retirement because of COVID-19: Just 12% of those who were offered this type of counseling said they planned to delay their retirement, while nearly a quarter (23%) of those not offered this service said they planned to delay. Those offered counseling were more likely to be younger, higher income, and have more set aside for retirement than those without this benefit—factors that probably also contributed to decisions about whether to change retirement plans. Other benefits offered by employers that may be associated with less delay in employee retirement include allowing employees to shift to jobs that are less demanding, providing employees with seminars and education about retirement, and making available broad financial counseling about retirement.⁶
Figure 2

Workplace Supports and Delay of Retirement Because of COVID-19

Lower rates of planned delay were associated with counseling on retirement transition but not with flexible schedules and reduced work hours

Although this survey of workers and recent retirees age 55 and older with at least $30,000 in retirement savings found that 16% of older workers planned to delay their retirement as a result of the pandemic, other recent research has found a higher figure in the overall population: Both Edward Jones and Wells Fargo/Gallup found that roughly 3 in 10 working Americans planned to delay their retirement as a result of COVID-19. Two important factors may help explain the difference. One is the assets of those surveyed: The Wells Fargo/Gallup study surveyed those with at least $10,000 or more saved for retirement through an investment account, 401(k), or individual retirement account (IRA), while Edward Jones had no asset restrictions. (The $30,000 threshold for this survey, though not directly related to the analysis on response to the pandemic, offers a broad understanding of how near and recent retirees handled or planned to handle their savings at retirement.) The second is age: Both the Edward Jones and Wells Fargo/Gallup studies included adults age 18 or older, while this survey focused on a much older population, for whom these decisions are more pressing. Still, the Edward Jones and Wells Fargo/Gallup findings suggest that although planned delays in retirement because of COVID-19 may not have been substantial for the older population that was the focus of this study, such delays could be more widespread for younger workers and for those with less money saved for retirement.
Employees’ ability to delay retirement

Delaying retirement because of the COVID-19 pandemic may seem like a sound strategy to earn additional income to cover unexpected expenses or to blunt losses in the investment markets. But although some workers say they plan to delay retirement as a result of COVID-19, it’s too early to say whether they will actually be able to do so—or what the impact of delaying their retirement may be on their quality of life in retirement. Many factors can thwart a desire to remain in the workforce, ranging from a scarcity of employment opportunities to the need to retire because of health issues or to care for a family member.

In this survey, although just 15% of respondents who are currently working say they plan to retire by age 62, nearly half (46%) of retirees had retired by age 62, and only about 1 in 10 kept working until age 70 or later. Nearly 2 in 5 retirees retired earlier than they planned. This is not to say that half of those currently working will necessarily end up retiring by age 62: The group still working may be different from those already retired in terms of health or the desire to continue working. But prior research documented that many workers fall short of their planned retirement age.

Early retirement is often involuntary: Of survey respondents who retired earlier than they had planned, 22% said being laid off was the most significant reason for their early retirement. Given the record unemployment rate for workers 65 and older, with unemployment affecting older workers much more acutely than in past recessions, we should expect more older workers to leave the labor force and retire involuntarily.

And while 1 in 5 cited a desire for more leisure time as the most significant reason they retired earlier than planned, an equal percentage pointed to health issues—a concern exacerbated during a global pandemic when older individuals face higher COVID-19 health-related risks.

The impact of market fluctuations

Although the investment markets have recovered their losses from the early days of the pandemic, the remaining economic fallout is unclear, and continued market volatility is likely. Workers ages 55 to 62 have more time than their older counterparts to weather market fluctuations, provided they are not forced to retire, while those closer to retirement have less time to build up additional savings to compensate for a market downturn—unless they continue to work.

In previous downturns and times of uncertainty, including the Great Recession, the popularity of bonds has increased. But although workers are generally encouraged to shift their investments away from riskier assets such as stocks and equities and toward safer alternatives such as bonds as they approach retirement, not everyone adheres to this advice. Many older Americans reported being relatively insulated from the financial crisis during the Great Recession, but Americans ages 50 to 64 reported struggling much more—with three-quarters of this younger group saying the recession made it harder for them to retire, at least in part because of losses from their investments.

Similarly, worries about an economic downturn and ongoing market volatility in the wake of the pandemic could result in older workers shifting toward safer—but lower-return—investment options, including bonds. Such an action could insulate investors from potential losses in the stock market but could also cause them to miss out on future gains. Recovering any losses incurred during the pandemic could be pivotal for near retirees who have fewer working years in which to earn more income, especially when retirees are facing increasing life spans and longer retirement windows. It’s still too early to assess how the pandemic and any economic fallout might affect the savings of near retirees both before and after these workers retire.
Withdrawals from retirement savings

At least so far, the COVID-19 pandemic has not led to large-scale withdrawals from retirement accounts or significant changes in retirement savings behavior. Few respondents to this survey who are still working reported that they planned to delay retirement because of COVID-19, and only 11% of those working and retired said they had taken out more than usual from their retirement accounts since the onset of the pandemic. And of these, nearly two-thirds (64%) said they made withdrawals to cover an unexpected expense, while just 14% said their withdrawal was the result of concerns about the pandemic.

The low levels of self-reported withdrawals in this study align with other recent analysis of investor and saver behavior during the early days of the pandemic. Fidelity Investments, for example, reports that just 3% of those eligible took a withdrawal from their retirement account under provisions of the March 2020 CARES Act (which allowed withdrawals up to $100,000 to be exempt from both the early withdrawal penalty and the 20% tax withholding from a qualified plan). Instead, the withdrawals reported by Fidelity averaged $12,100, with median withdrawals at just $4,800.15

Of course, during 2020, many Americans received increased unemployment benefits and federal stimulus support. If the economic turmoil continues, if the stock market falters again, or if those who may be struggling begin to lose the benefits and economic protections put in place at the beginning of the pandemic, withdrawals could increase or savings rates could fall.

Conclusion

Early indicators from the first three months of the COVID-19 pandemic do not show dramatic strain on the retirement savings of older workers and recent retirees, especially for those who have been able to save at least $30,000. Many have managed to keep their retirement plans on track and have not had to dip into their savings. Future research should examine the long-term experience of older workers over the course of the entire pandemic and investigate whether these trends continued to hold, whether more older workers and recent retirees began to tap their savings, and whether older workers who were laid off were able to return to work.

Workers who were offered less support by their employers to help them prepare for and transition into retirement were more likely to say that they planned to delay their retirement because of COVID-19, compared with workers who received such employer support. This suggests it could be beneficial for employers to offer counseling, education, and flexibility to their older workers, especially in times of uncertainty and change.

Other populations that have not accumulated as much for retirement as those studied here may be at increased risk of retirement insecurity as a result of the pandemic. Policymakers will need to consider the long-term implications of the pandemic and its economic fallout, not only for those entering and near retirement but for future generations as well.
The market research firm NORC conducted a survey of near and recent retirees on behalf of The Pew Charitable Trusts using its nationally representative AmeriSpeak panel. NORC obtained 1,125 qualified interviews from panelists ages 55 to 75 with at least $30,000 saved for retirement who were employed full time or were not working and reported being retired. Many of the questions in the survey sought to understand what recent retirees had done with their savings when they retired and how workers were thinking about and preparing for retirement and what they planned to do with their savings. The $30,000 threshold was selected so that respondents would have sufficient savings to appropriately answer these questions in the survey. Respondents were asked to include only money set aside for retirement in investment accounts such as 401(k)s and IRAs and to exclude other assets. The survey was fielded May 12 to June 5, 2020, in English on the web and via telephone. The study received 536 responses from retirees by May 20. No further responses were collected for the retiree group after May 20. The study concluded June 5 with 589 respondents who were working full time.

The sample was drawn from NORC’s probability-based AmeriSpeak panel. All members of the panel have a known probability of selection. This allows for calculation of a response rate that accounts for all sources of nonresponse. A random sample of 7,201 panel members was drawn from the AmeriSpeak panel; 2,456 responded to the invitation to complete the survey, and 1,139 qualified. This resulted in a screener completion rate of 34.1%, an eligibility rate of 46.4%, and a survey completion rate of 98.8%. The AmeriSpeak panel recruitment rate reported by NORC was 23.6%, and the retention rate was 84.8%. The survey’s overall cumulative response rate was 6.7%.
Endnotes


3 Workers ages 63 to 67 make up 20% of the overall sample of workers between ages 55 and 75. Only 4% of workers in our sample were ages 68 to 70, and another 4% were 71 to 75.


5 Ibid.

6 Only the offering counseling and advice on transitioning into retirement category was statistically significant.


9 Ibid.

10 Johnson, “As Unemployment Surges, Older Workers Need More Help.”


