

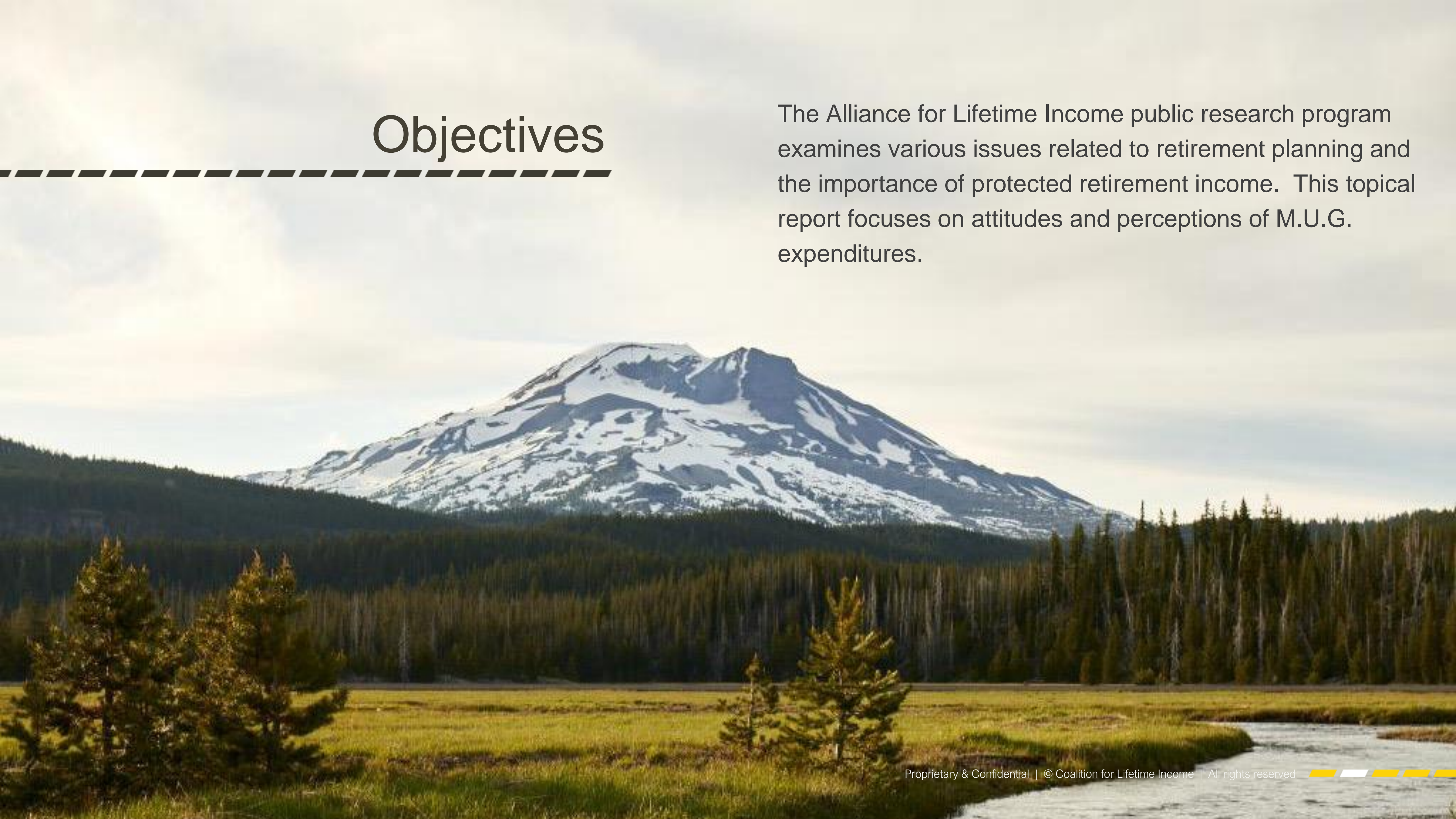
Alliance for
Lifetime
Income

Protected Lifetime Income M.U.G. Study Research Findings

February 2020

Objectives

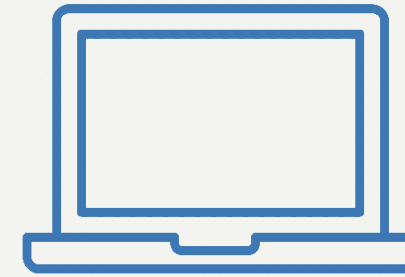
The Alliance for Lifetime Income public research program examines various issues related to retirement planning and the importance of protected retirement income. This topical report focuses on attitudes and perceptions of M.U.G. expenditures.



Protected Lifetime Income Index Study Methodology



Participants
N=1,015



Online Quantitative Study
National sample



Field Dates
January 28 – February 5, 2020

General Specifications

1. Cross-section of U.S. adults approaching or in retirement (ages 40-79).
2. Respondents balanced against U.S. Census statistics.
3. Questions adjusted for people in retirement.

Note: the umbrella symbol represents those who have protected income, the symbol with a red line represents those without protected income.



Survey conducted by [Artemis Strategy Group](#)

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4. Expenses in Retirement
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Key Takeaways

- On average, Americans approaching or in retirement consider nearly two-thirds (62%) of their expenses to be “essential”.
- Topping the list of most frequently named essential expenses are the three M.U.G. elements: housing (mortgage etc.), utilities and groceries.
- Most envision that their essential expenses will remain roughly the same (52%) or higher (14%) in retirement, though a third (34%) of non-retirees expect expenses to be lower than they are today.
- Less than a third (29%) are very confident they can cover their essential expenses throughout the remainder of their retirement, and only a quarter (25%) are very confident they can cover all their expenses.
- Having a source of regular, guaranteed monthly income in retirement is important to everyone, very important to seven in ten (69%).
- Those (42% of pre-retirees) who have other sources of protected income in addition to Social Security – pensions and annuities – are significantly more confident about their ability to cover essential expenses in retirement.



Budgeting and Expenses

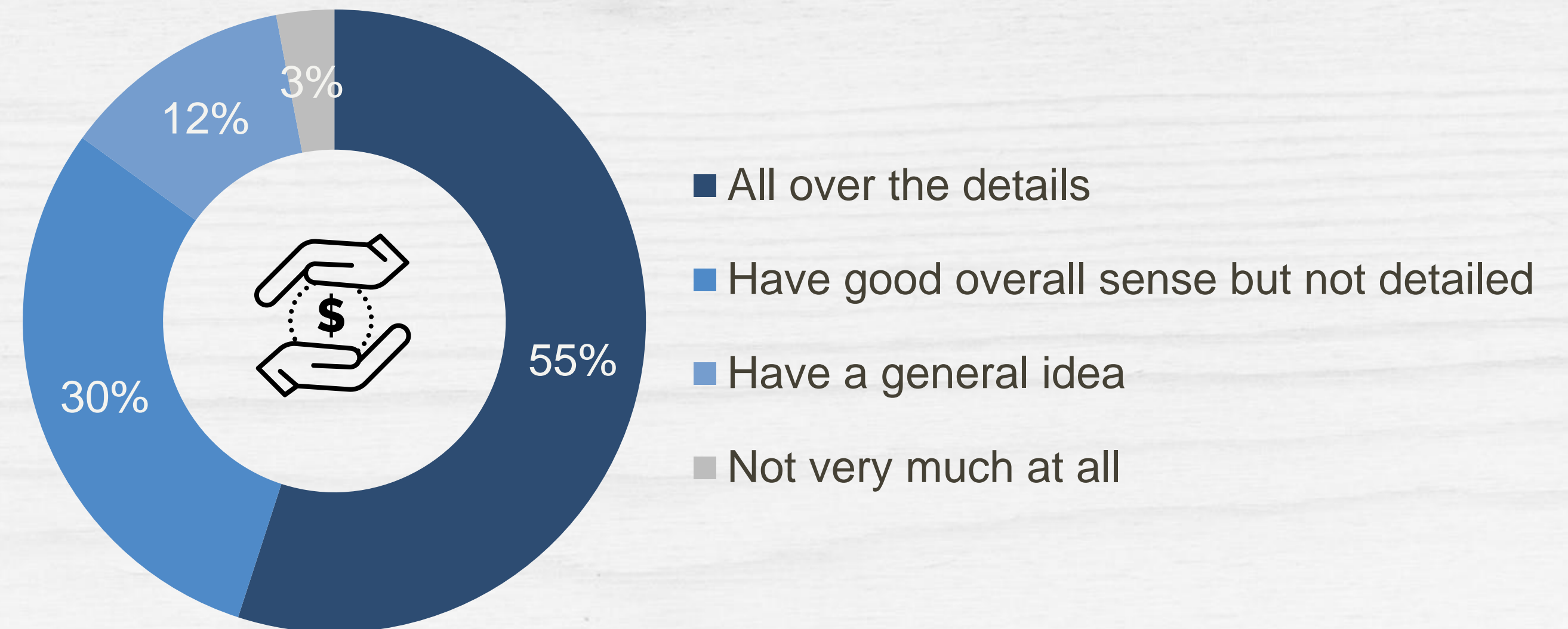
Americans approaching or in retirement are attuned to managing their budgets. It's a chore but a manageable one. Most report being able to save money on a monthly basis.

Most Americans approaching or in retirement report closely managing their household budget

Very few have only a general idea or none at all of their budget



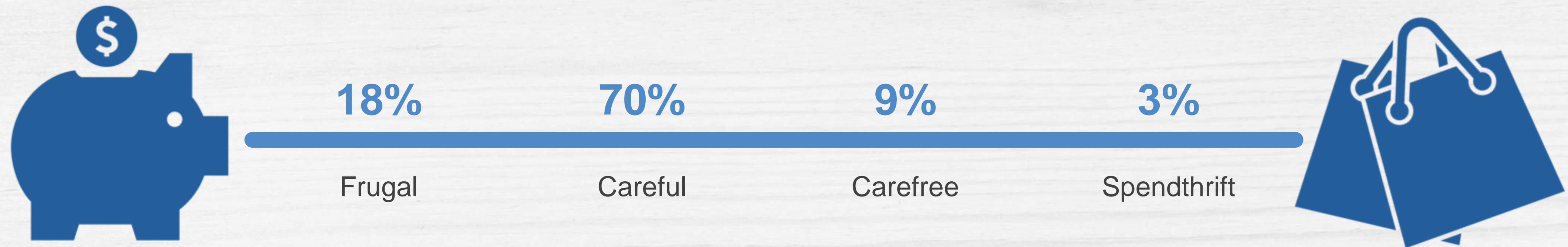
How Closely Do They Manage the Family Budget or Expenses



Self-perceptions of spending are conservative

Seven in ten view themselves as careful with spending money, few perceive themselves as carefree or spendthrifts.

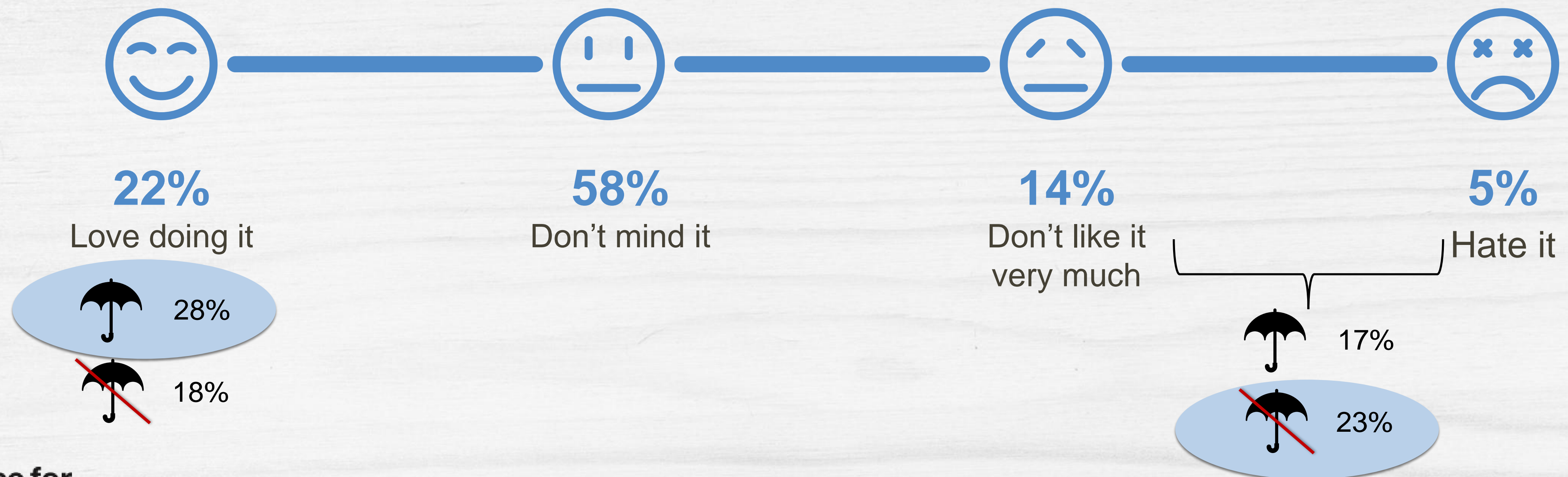
Best Describes Their Spending Habits



While few love managing expenses most say they don't mind it

Those with protected income are slightly more likely to enjoy managing their expenses than those without

Attitude Towards Managing Their Monthly Expenses



Americans prefer paying bills versus several other common household chores

Paying Bills Compared to Other Chores



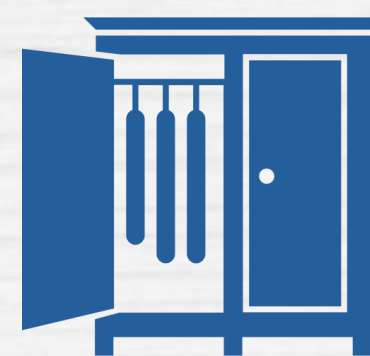
Paying the
monthly bills

43%



Doing a thorough
housecleaning

13%



Reorganizing a
room or closet

19%

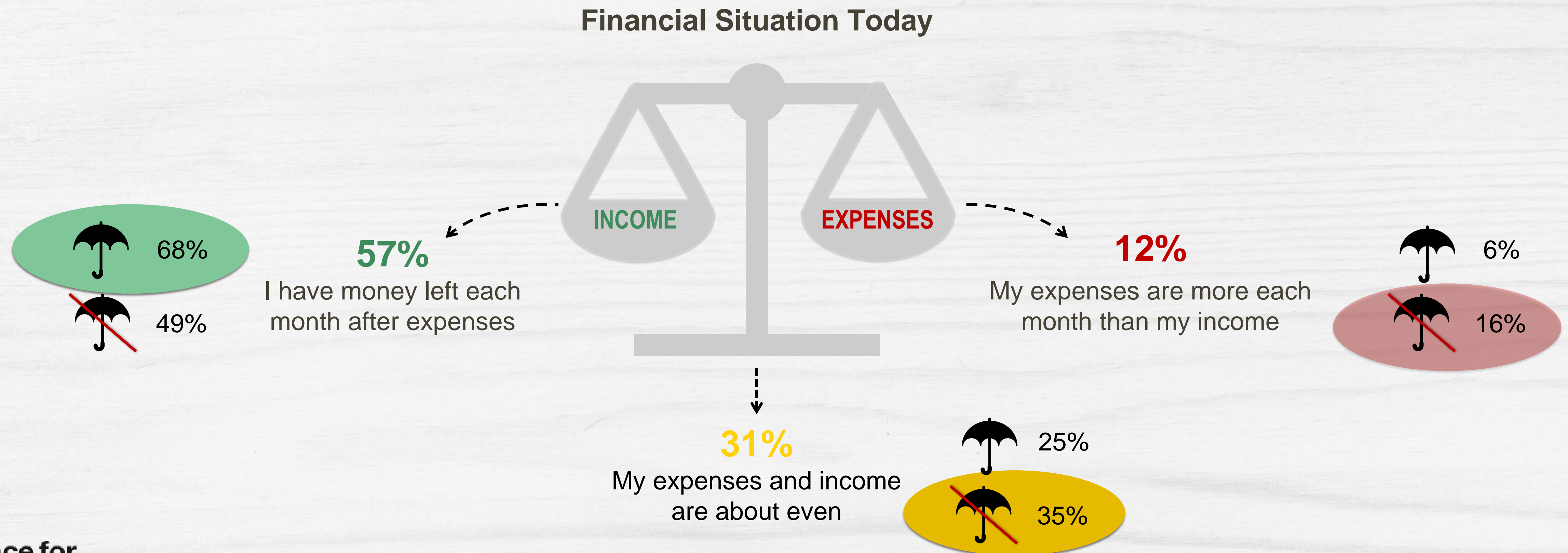


Yard work

25%

A majority report they have money to save after expenses

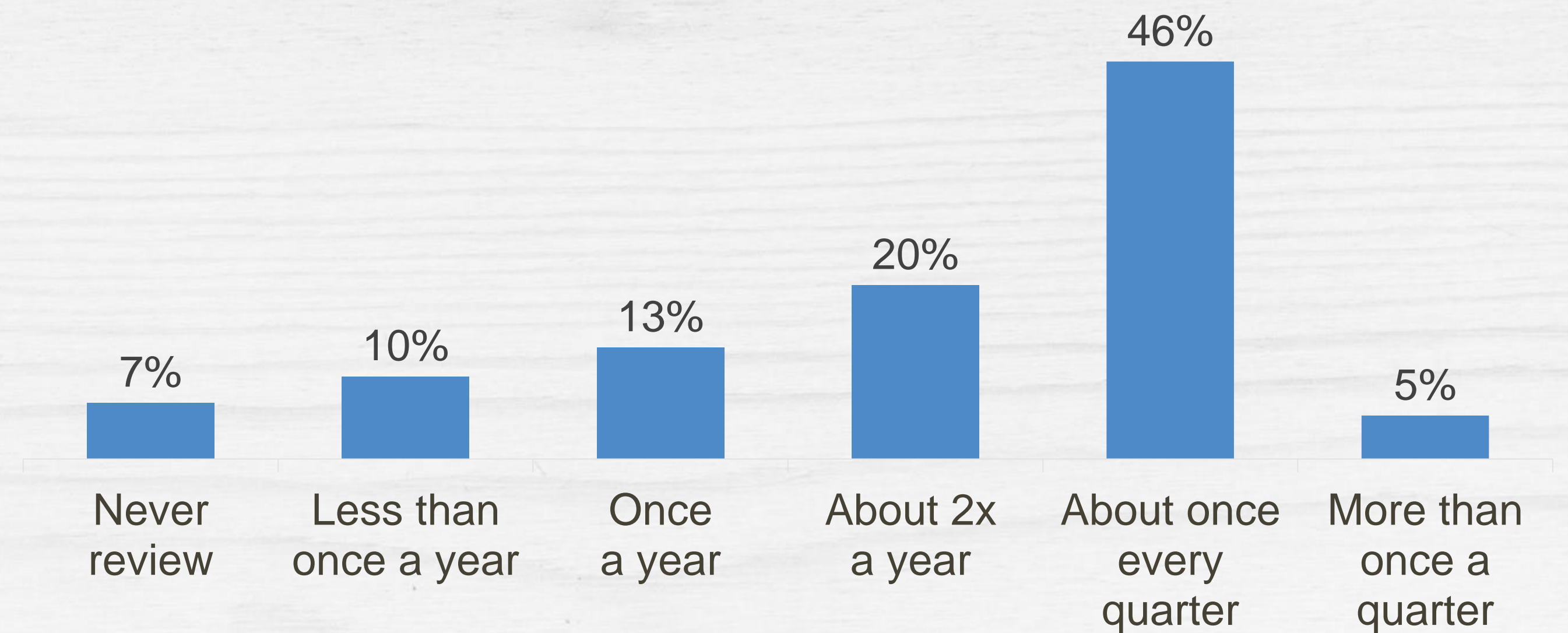
Those with protected income are also doing better now.



Most review their financial picture quarterly or biannually



Frequency Review All Expenses / Look at Whole Financial Picture





Essential Expenses

Essentials account for a big portion – nearly two thirds – of most household budgets.

M.U.G. costs are the top-ranked budget essentials, followed closely by health and car expenses.

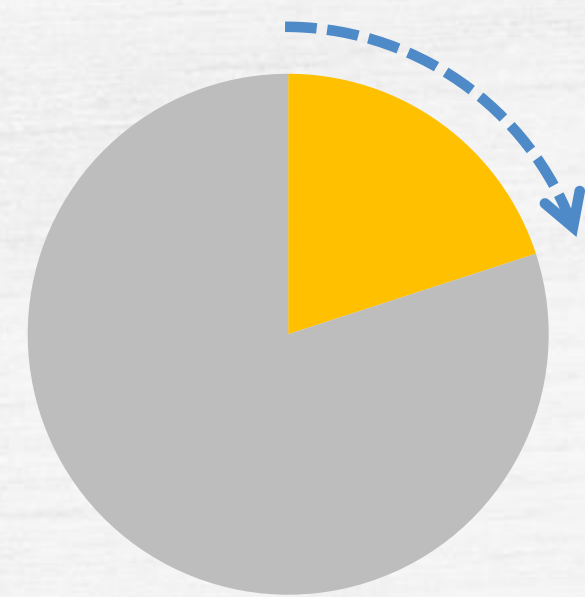
Tradeoffs are hard, especially if they involve essentials.

And life isn't just about essentials; other things matter too.

Roughly two-thirds of monthly expenses are considered essential

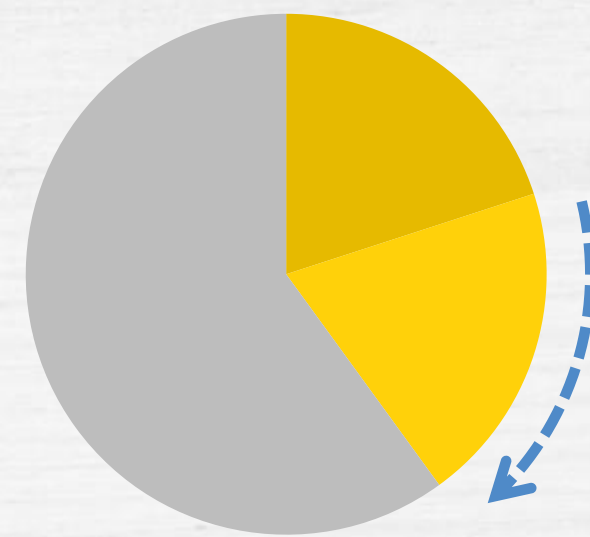
However, nearly one in five consider close to all of their expenses to be essential.

Percentage of Total Monthly Expenses that Are “Essential”



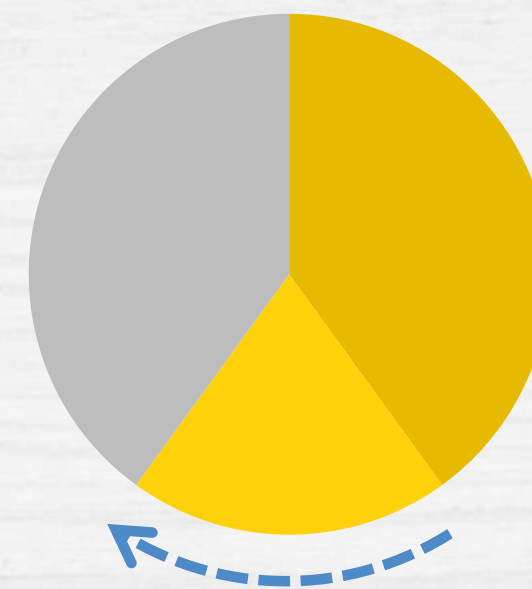
0% to 20%

3%



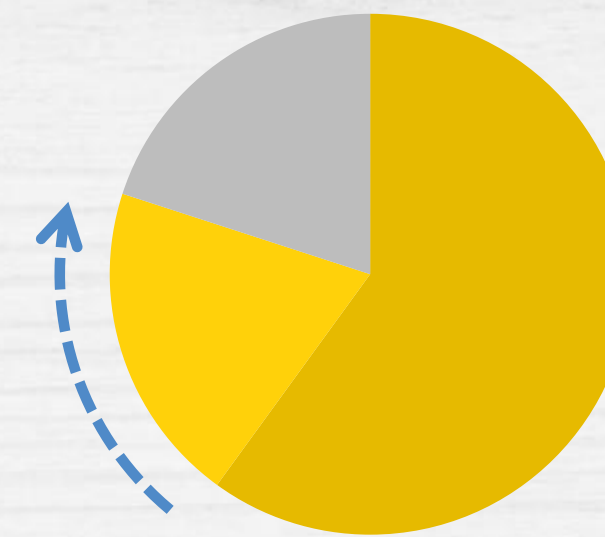
21% to 40%

10%



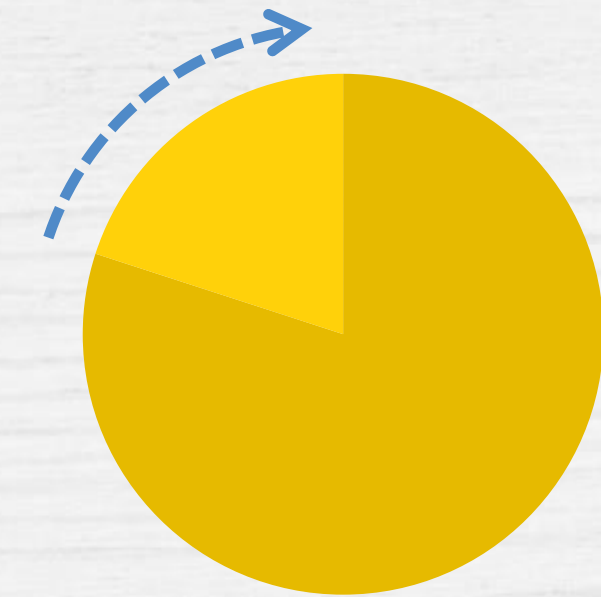
41% to 60%

28%



61% to 80%

41%



81% to 100%

18%

Calculated Mean: 62%

59%

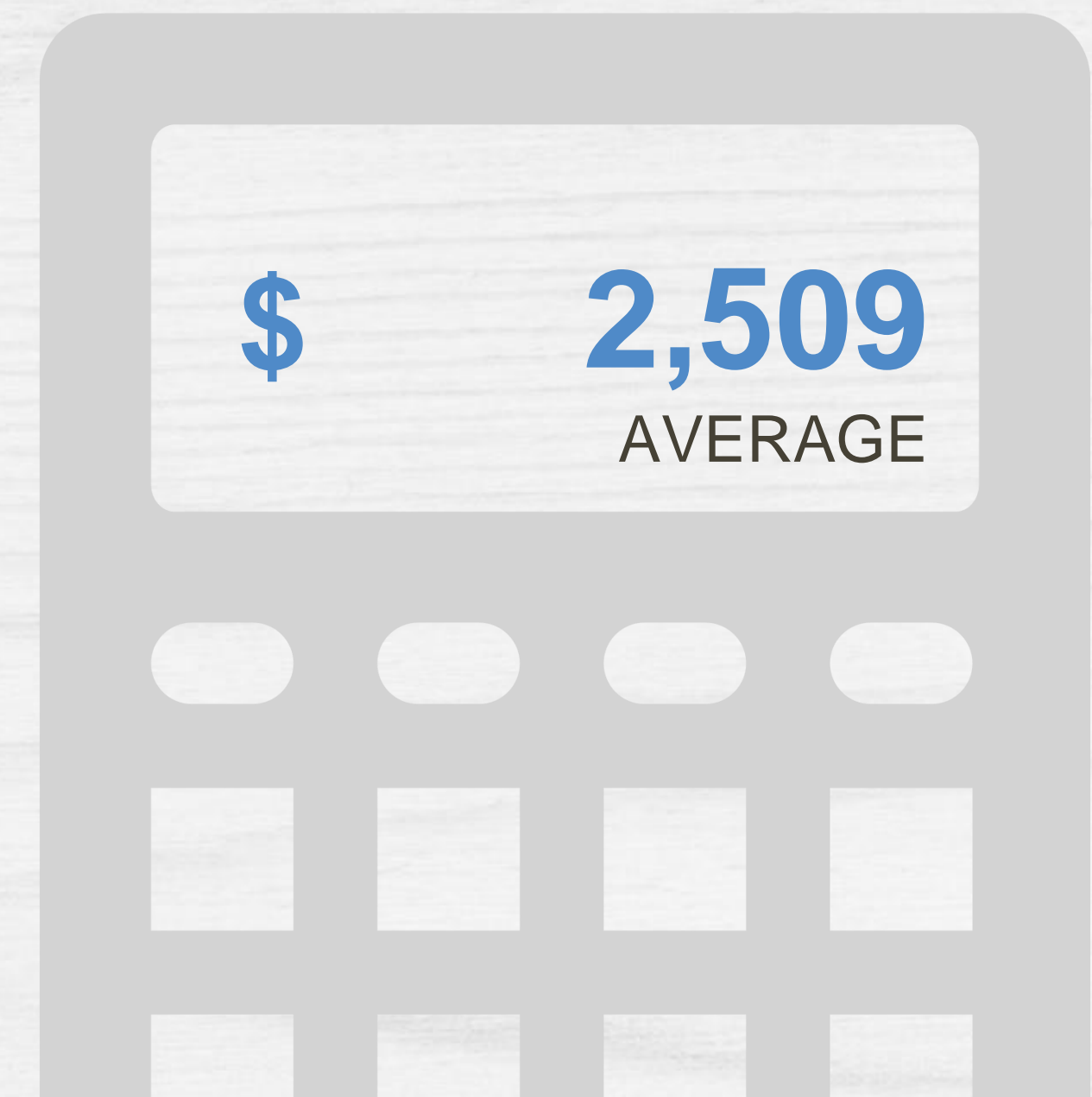
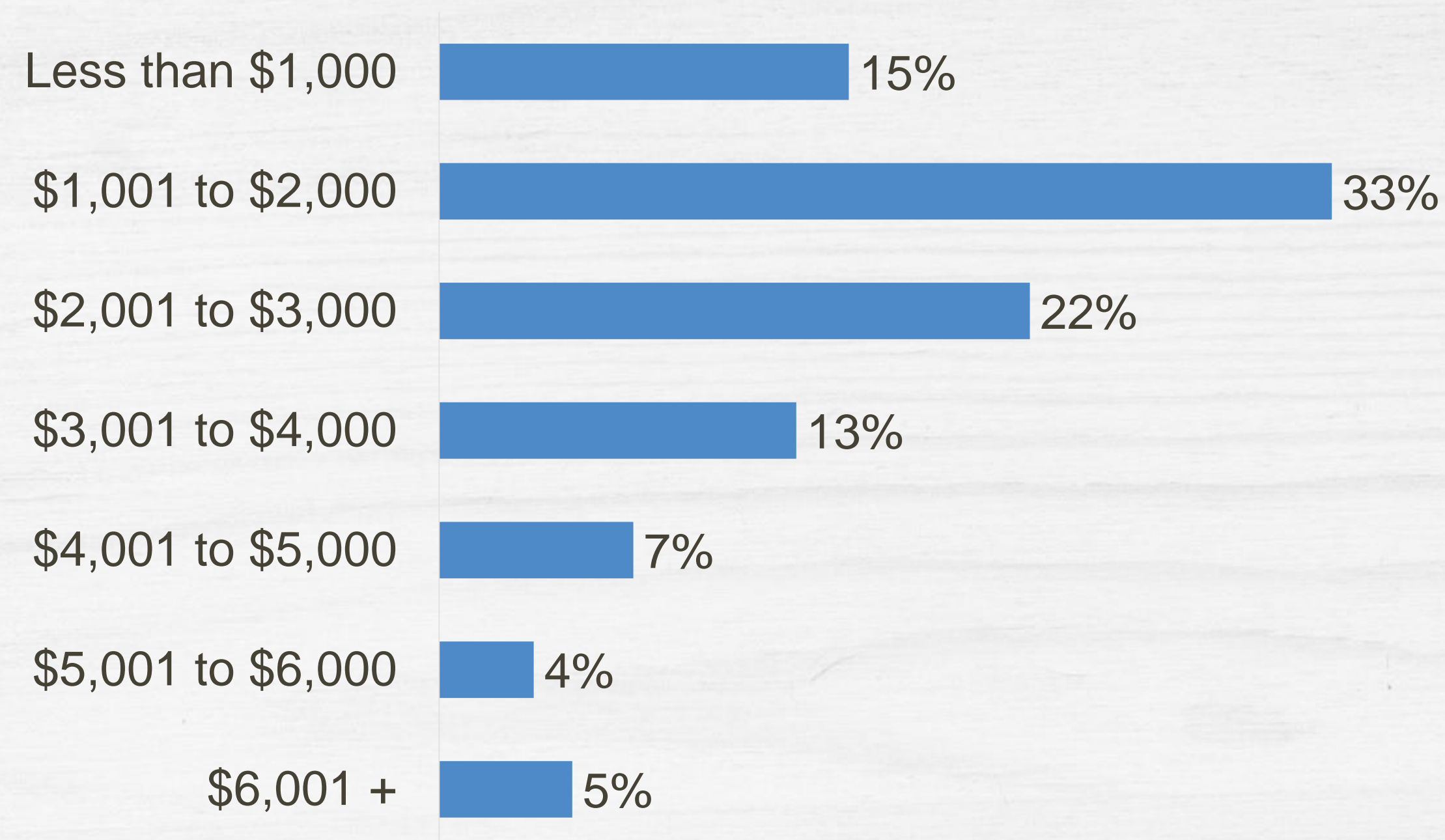


64%

A majority pay over \$2000 to cover monthly essential expenses

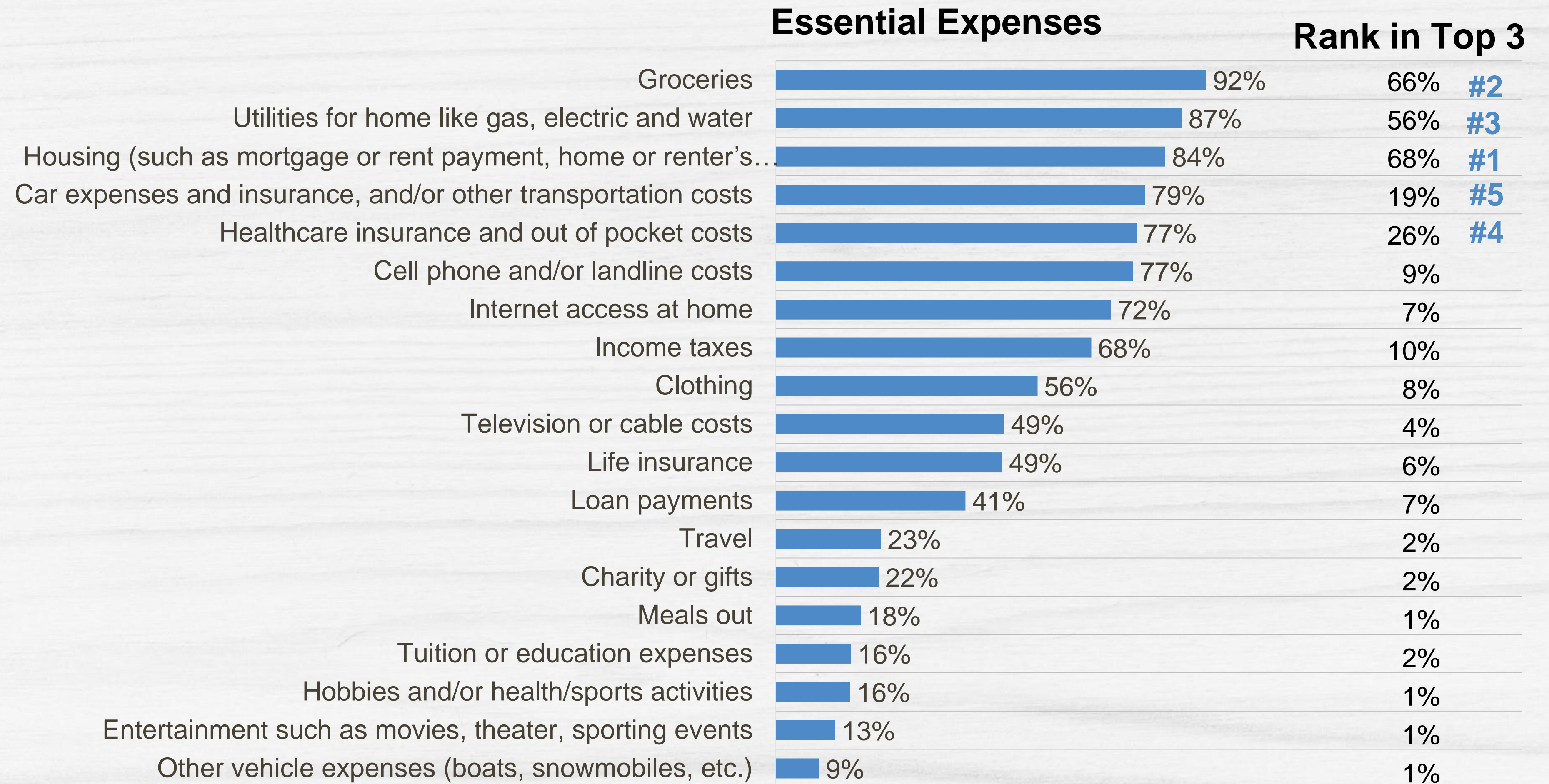
Nearly one in ten say their essentials cost over \$5000 a month while 15% have essentials under \$1000.

Total Monthly Cost of Essential Expenses



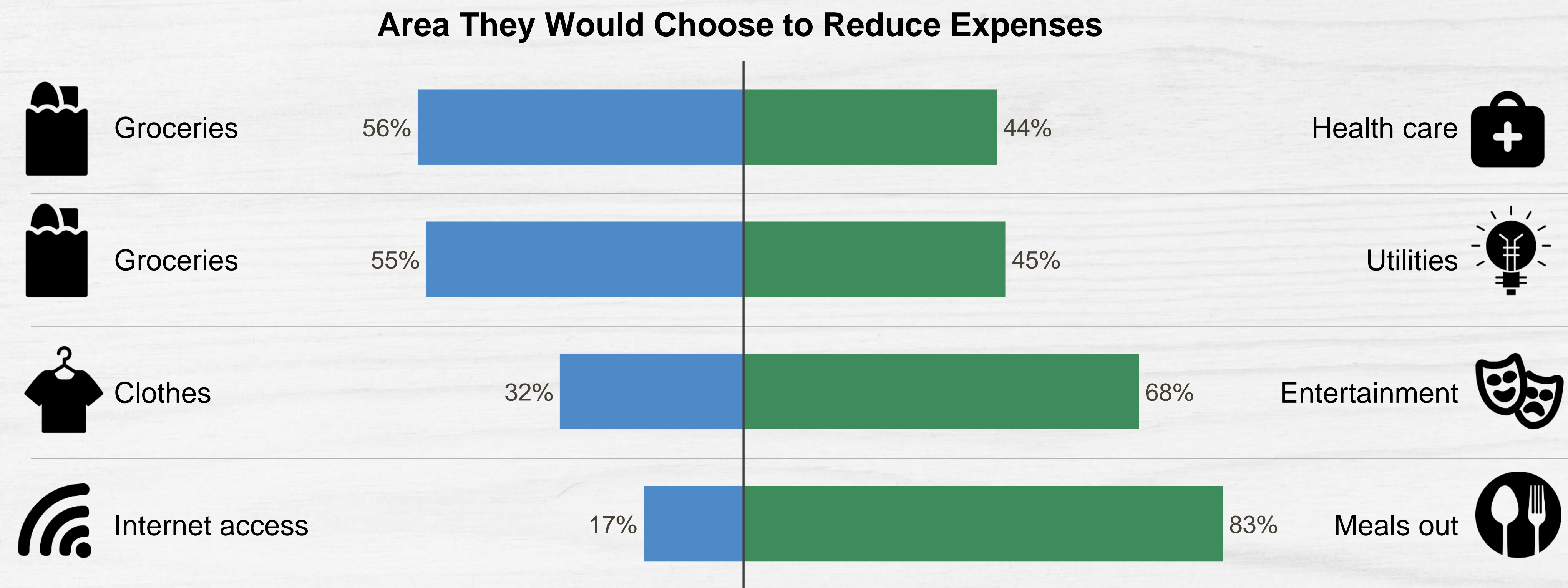
Topping the list of most frequently named essential expenses are the three M.U.G. elements: housing (Mortgage etc.), utilities and groceries

Healthcare, car, and cell/internet costs make up the next tier of essential expenses



More would cut grocery expenditures before utilities or healthcare

Meals out are far easier to cut than internet access and entertainment goes before the wardrobe budget.



People have a range of opinions when it comes to which non-essential expense is most important to them

Most Important Non-Essential Expense



Hobbies or exercise activities
such as golfing,
cycling, gardening, gym
membership, etc.

21%



Travel
such as cruises,
domestic or international
travel, RVing, etc.

27%



Personal expenditures
for restaurants,
spa treatments, etc.

21%



Gifts and entertainment
expenses for family and
extended family

20%



30%



24%

11% Other

Non-essential spending is important to peoples lives - adding excitement, purpose, and connection

Examples of Non-Essentials that Are Important to Them



Hobbies or exercise activities

Golfing, biking, hiking, woodworking, arts/crafts and gym memberships

"I am a member of Weight Watchers. It is expensive, but important for my health and well being."

"We love to putter in our garden, finding new plants and trees to add yearly."



Travel

"Traveling with friends or family. Time to reconnect with them."

"Cruising to Bermuda and the Caribbean islands, very energizing."

"Travel gives you the opportunity to trek, bike, raft and drive through incredible landscapes."



Personal expenditures

Restaurants top the list, also pedicures/manicures, spas, books and shopping

"I like trying new restaurants when I have the chance."

"Celebrating family or friends at a restaurant for a special occasion."

"A day at the spa it's so relaxing."



Gifts and entertainment

"Going to a Broadway show, movies, sporting event."

"I spend a lot of money on Christmas and birthdays for my family."

"I always try to make sure my niece and nephew get at least something for their birthdays and Christmas. Even if it is something small...I want them to know I am thinking of them."

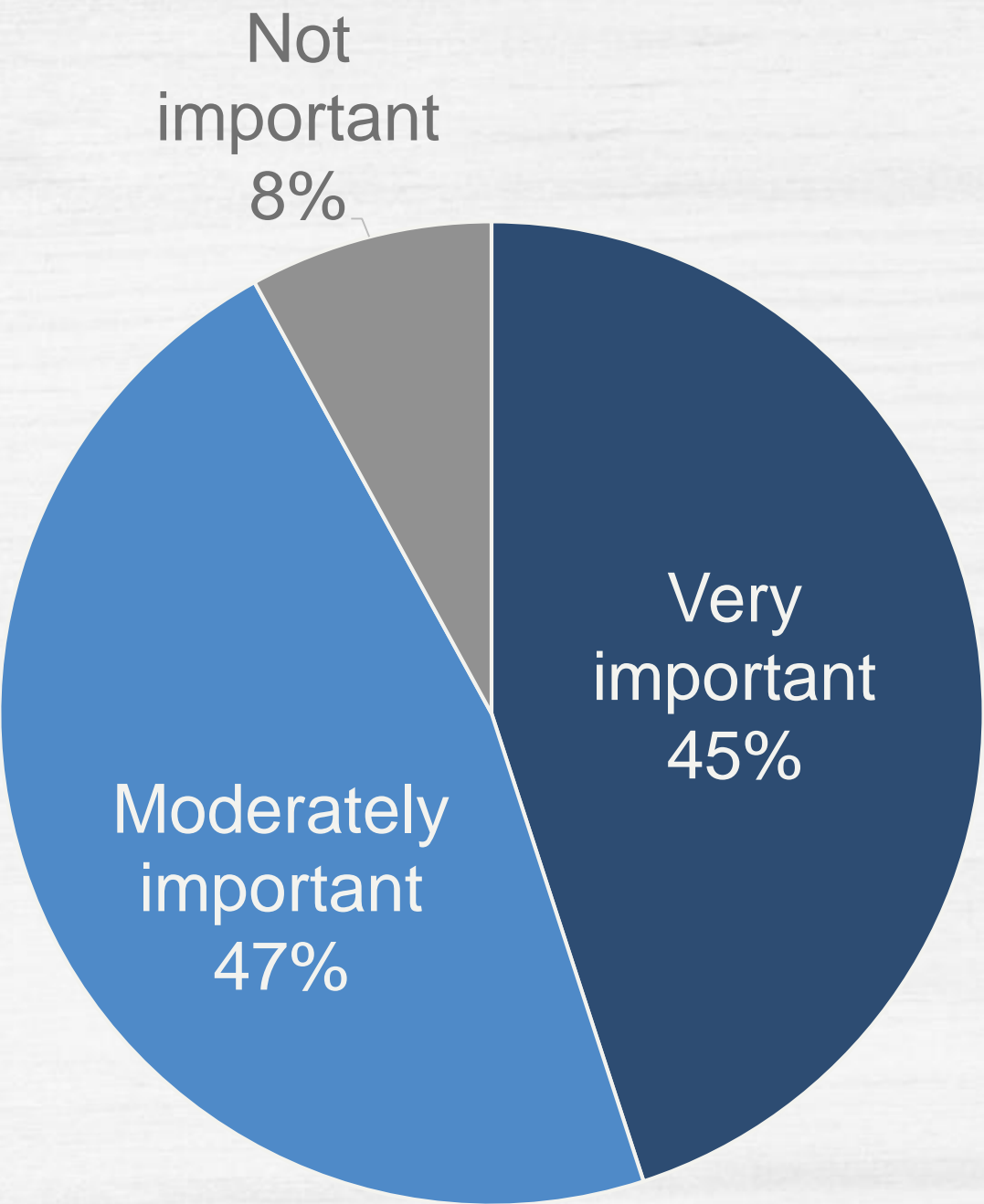
Other

"Food, Warm Clothes, Toiletries for the Homeless Center that a group of us go out to care for each month in Dallas, TX who have nothing at all."

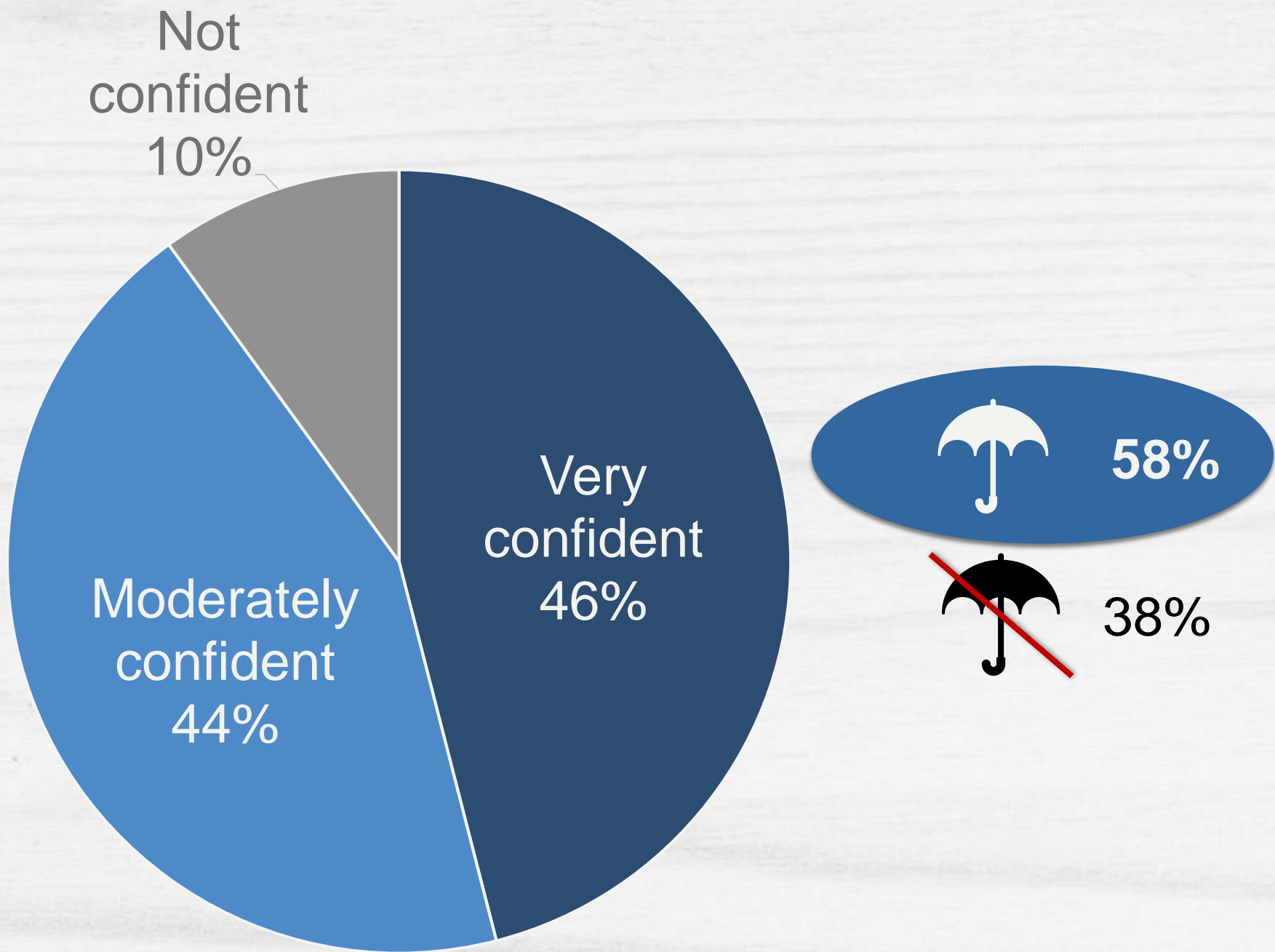
Nearly all feel it's important to their overall quality of life to be able to afford their top non-essential expense

Those with protected income are much more likely to be very confident in their ability to afford the non-essentials they most care about.

Importance to Be Able to Afford Non-Essentials



Confidence They'll Be Able to Afford Non-Essentials





Expenses in Retirement

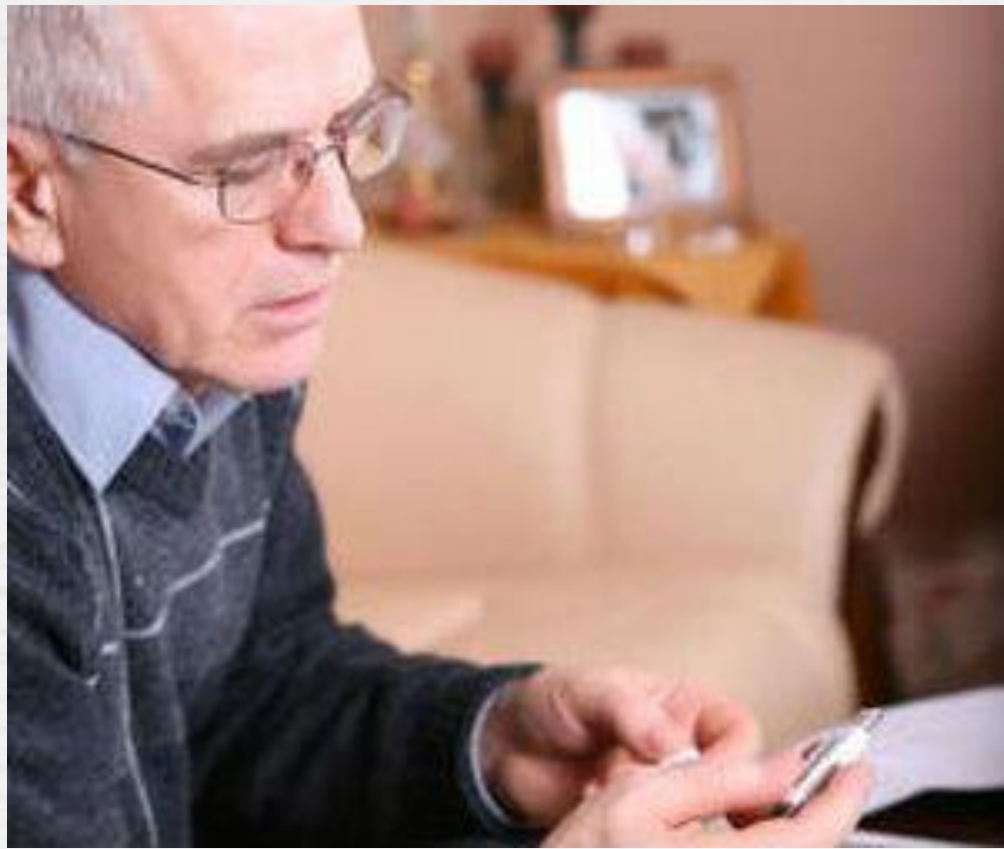
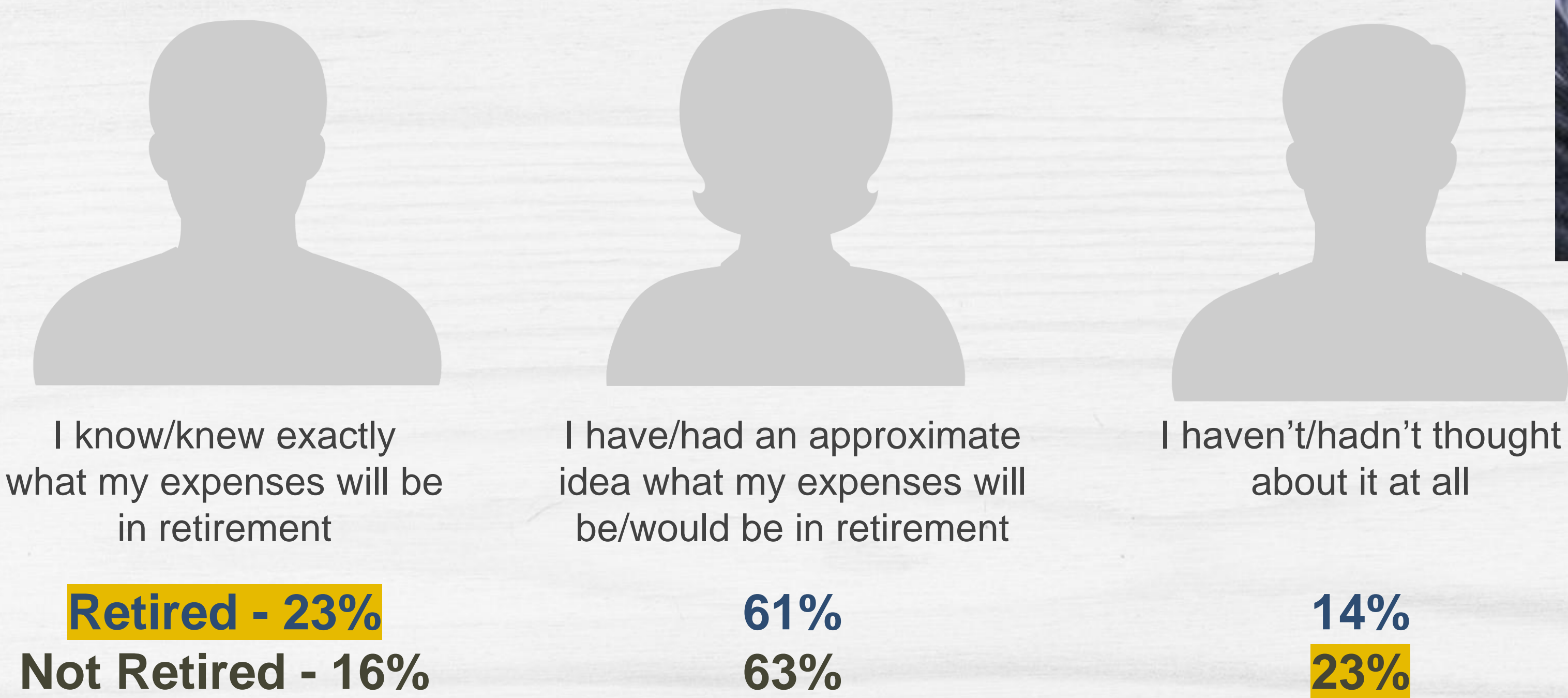
Most expect their essential expenses to be relatively similar in retirement, with healthcare a key upward force.

A plurality still believe they will be able to save, but a large majority anticipate some scaling back of expenses, and they're only partly comfortable with how to do that.

Most report having a general idea of what their expenses will be in retirement

A slightly higher proportion of those who are already retired say they knew exactly what their expenses would be in retirement

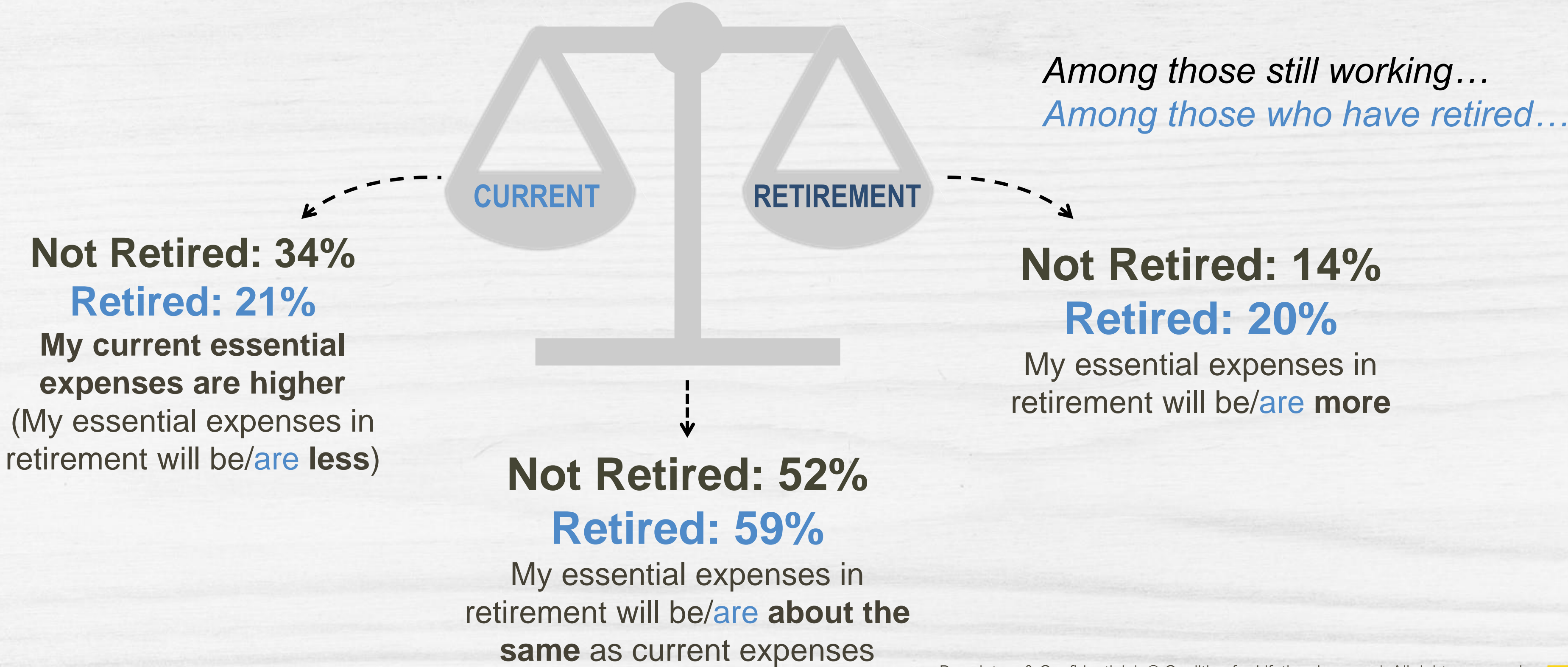
Amount of Thought Given to Retirement Expenses



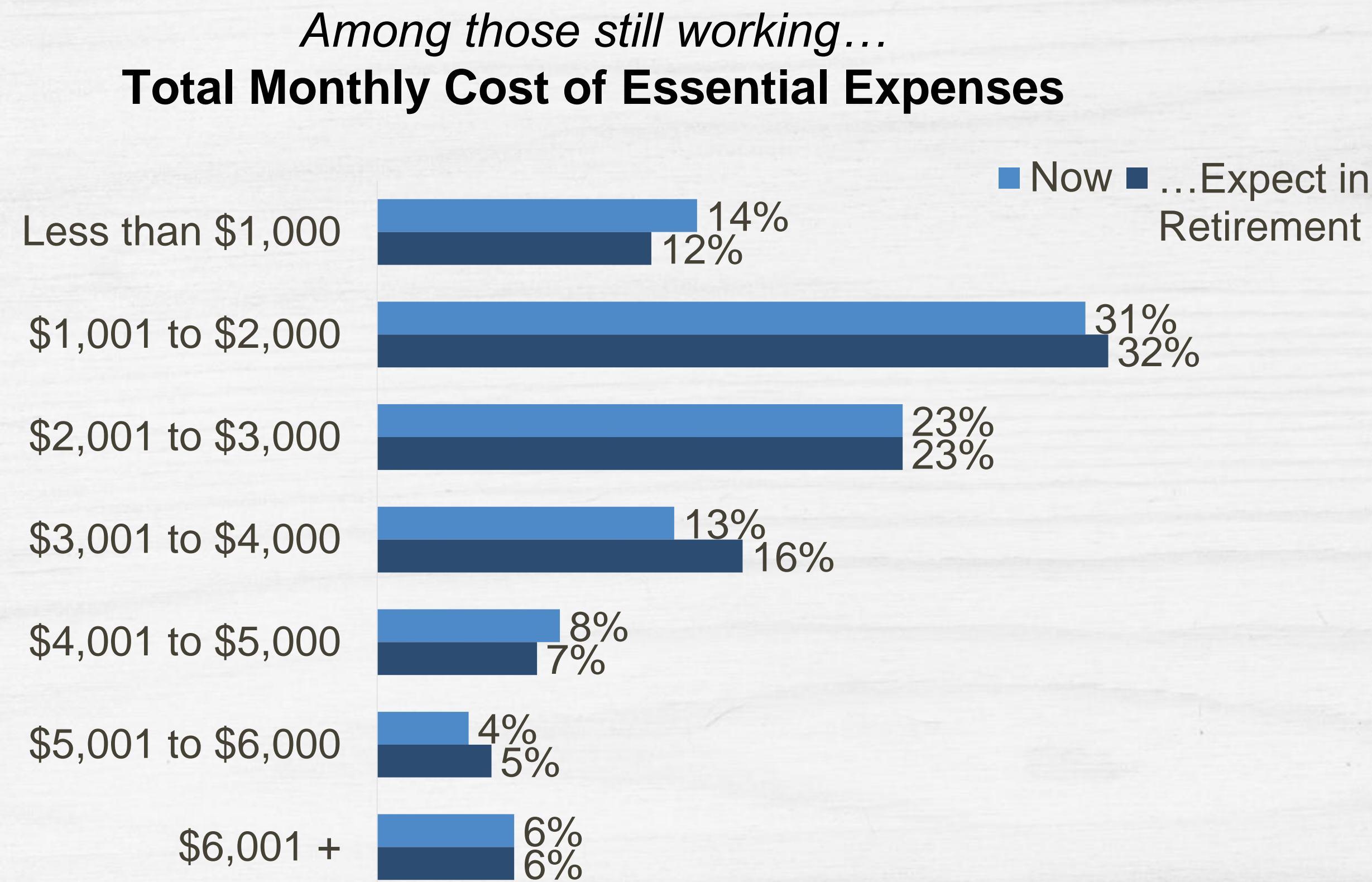
One third of pre-retirees expect their essential expenses to be lower in retirement

However, only two in ten of those who have already retired have found that to be the case- most (59%) say they were the same and 20% found them to be more.

Essential Expenses in Retirement vs. Current Expenses



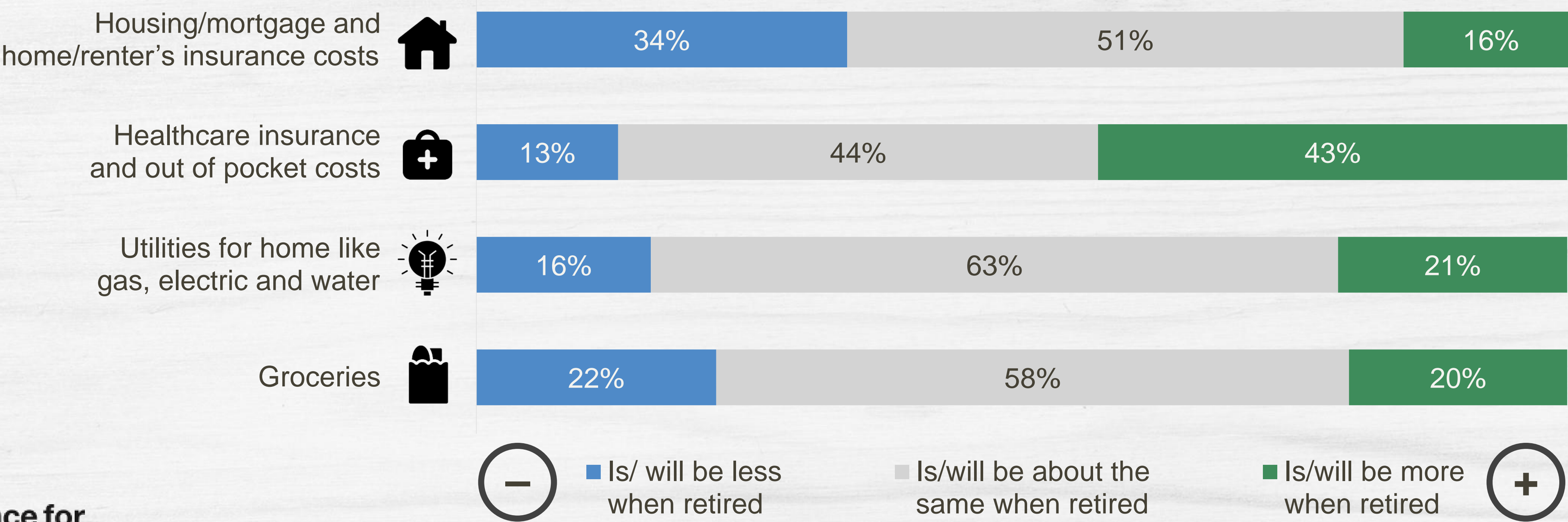
On average, these Americans expect to pay slightly more to cover monthly essential expenses in retirement than they are now paying, or did pay, during pre-retirement years



\$2,658
CURRENT
AVERAGE
AMONG THOSE
STILL WORKING

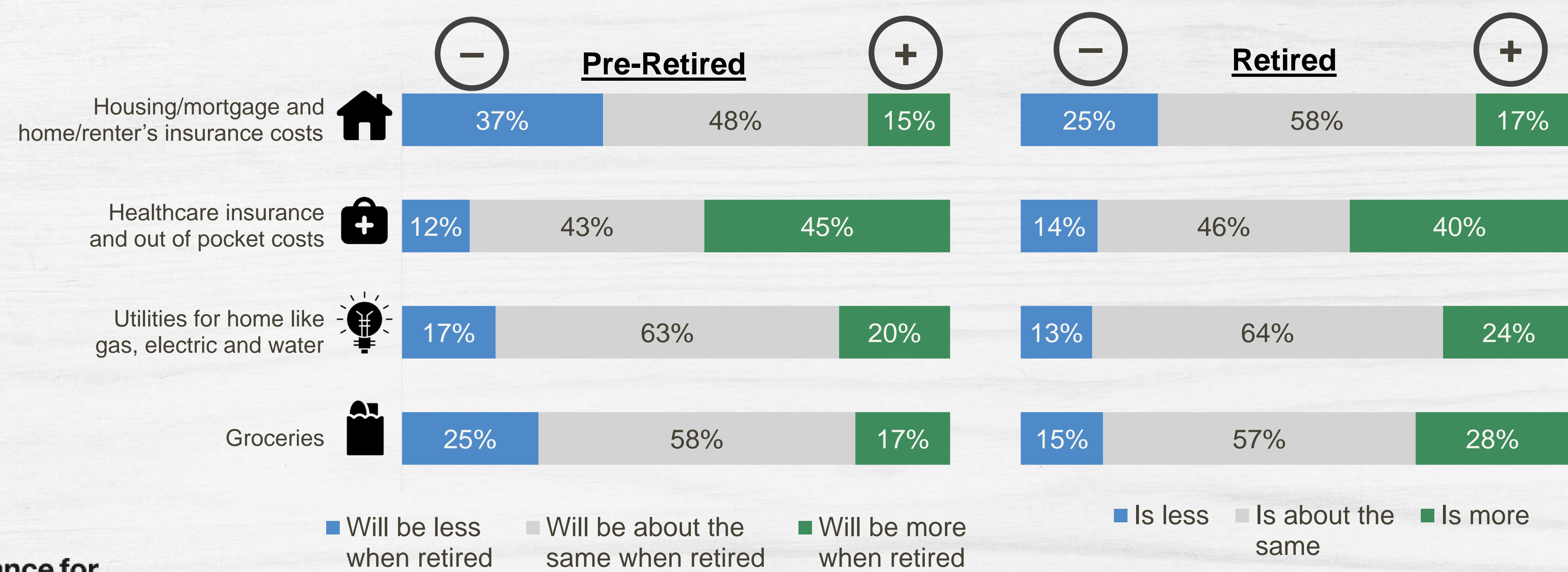
Most expect costs to remain relatively constant in retirement with the exception of healthcare

Expenses in Retirement vs. Current Expenses



In comparison to retirees' actual experiences, a larger number of pre-retirees expect to save on M.U.G. costs; healthcare expectations are similar

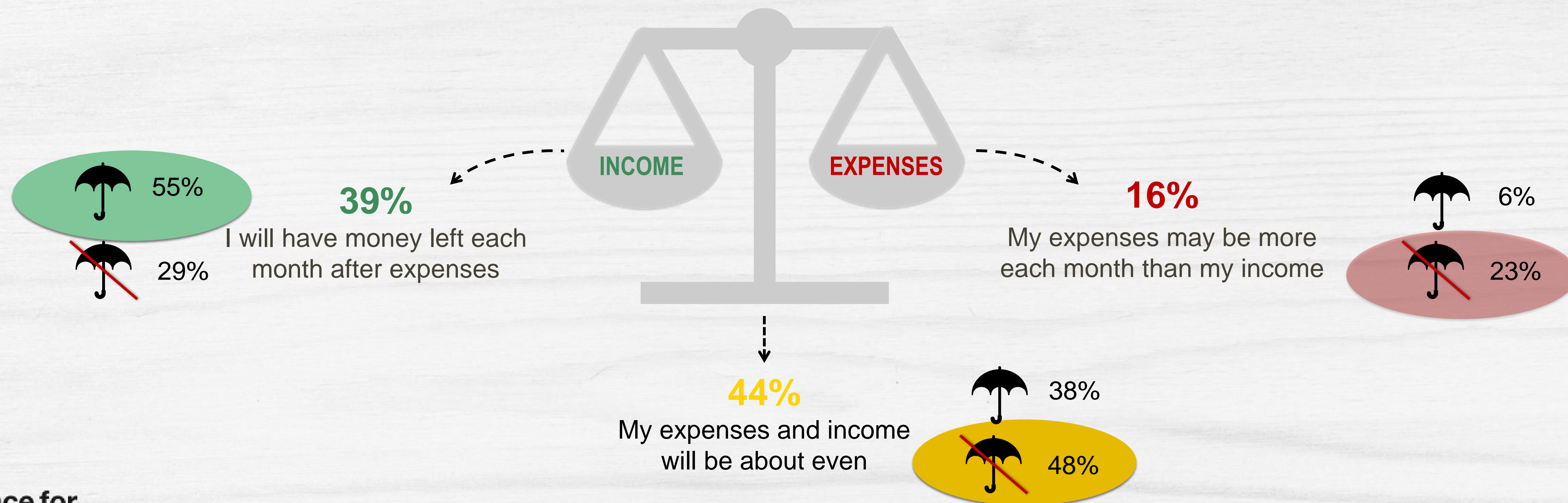
Expenses in Retirement vs. Current Expenses



Few pre-retirees expect to struggle to balance expenses and income in retirement

Those with protected income are more likely to be optimistic about their prospects for having a surplus

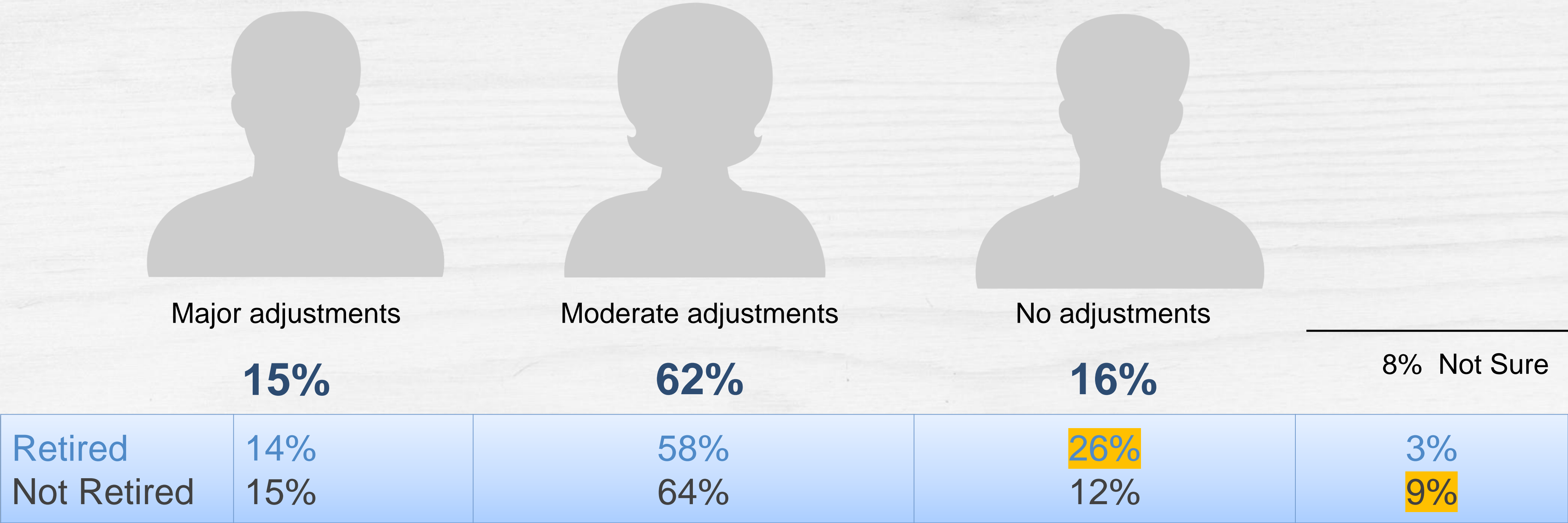
Among those still working **Their Expected Financial Situation in Retirement**



At least moderate lifestyle adjustments in retirement are expected

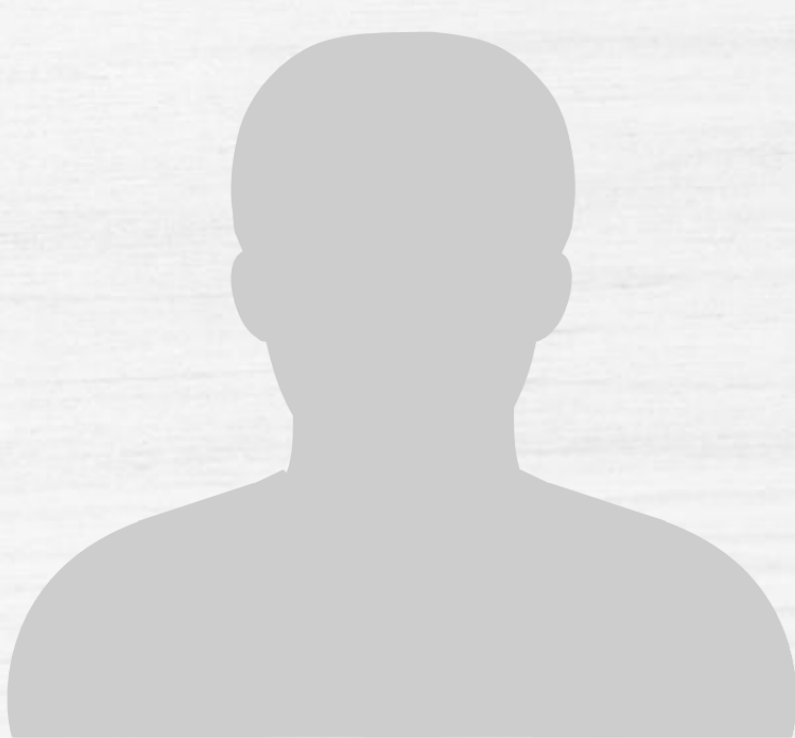
One in four retirees say they have not had to make any adjustments, but most have made moderate changes

Have Made or Expect to Make Adjustments to Lifestyle to Curtail Spending in Retirement



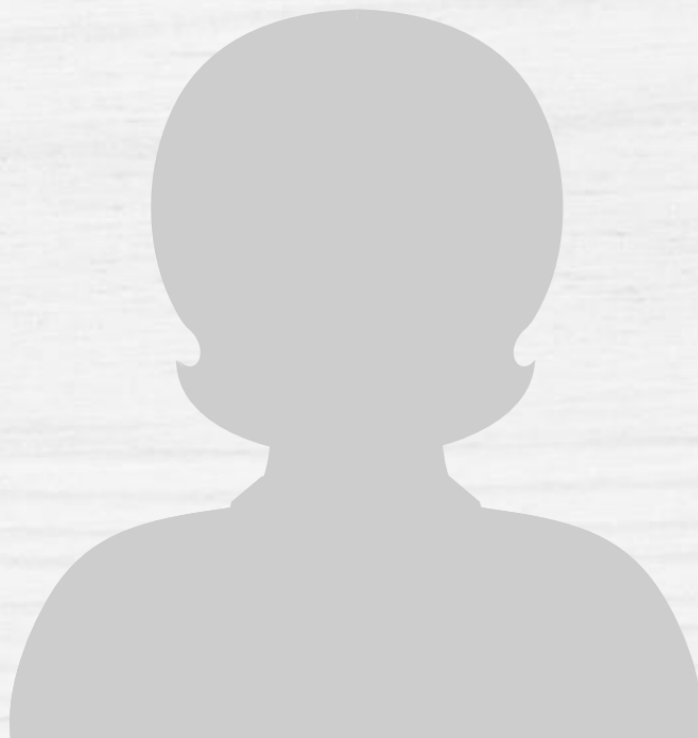
Most feel they have a general sense of how they might cut expenses in retirement if needed

Know What to Do to Curtail Expenses in Retirement



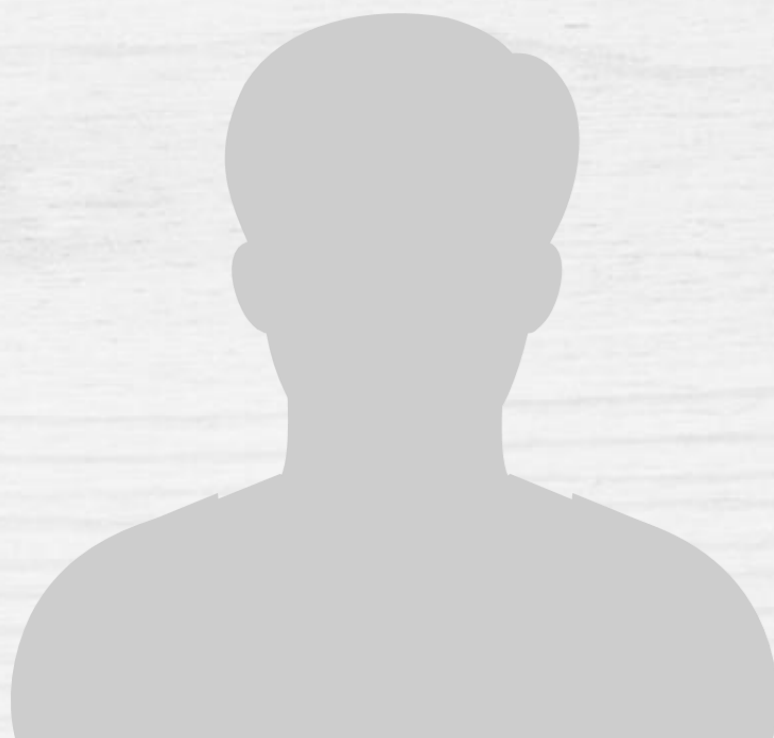
Yes, I know

21%



I have a general idea

62%



I don't have any idea

17%

Retired	27%	63%	11%
Not Retired	19%	62%	19%



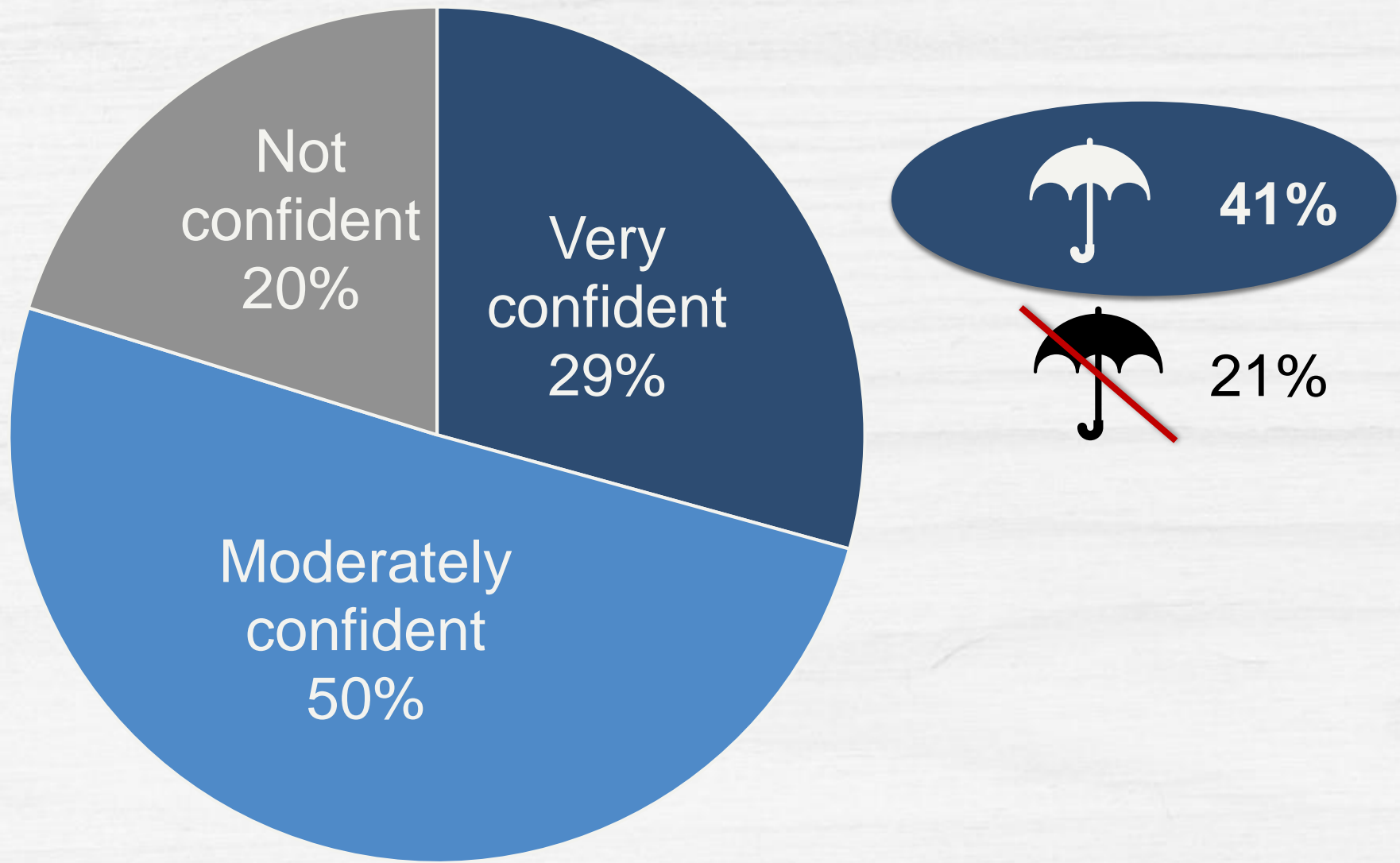
Confidence about Income to Cover Essentials in Retirement

Few are very confident that their income will cover all of their expenses although those with protected income are much more confident. Most feel a regular, guaranteed source of income is very important. There is a high reliance on Social Security to cover essential expenses.

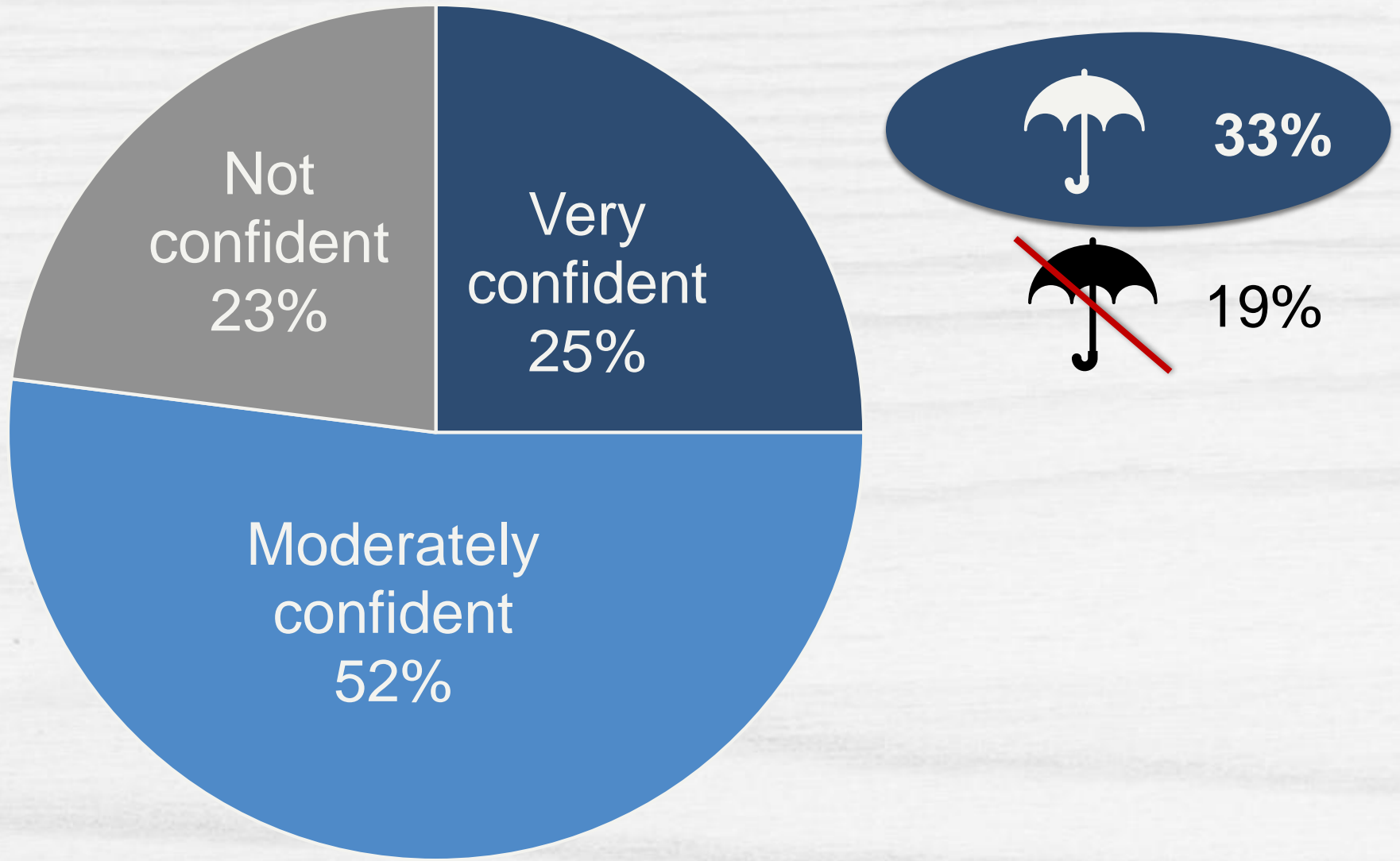
Only one in four are very confident that income will cover all of their expenses throughout retirement

Those with protected income are more likely to be **very** confident that income will cover their expenses and twice as likely to be confident that essential expenses will be covered.

Level of Confidence that Income Will Cover Essential Expenses Throughout Retirement



Level of Confidence that Income Will Cover All Expenses Throughout Retirement

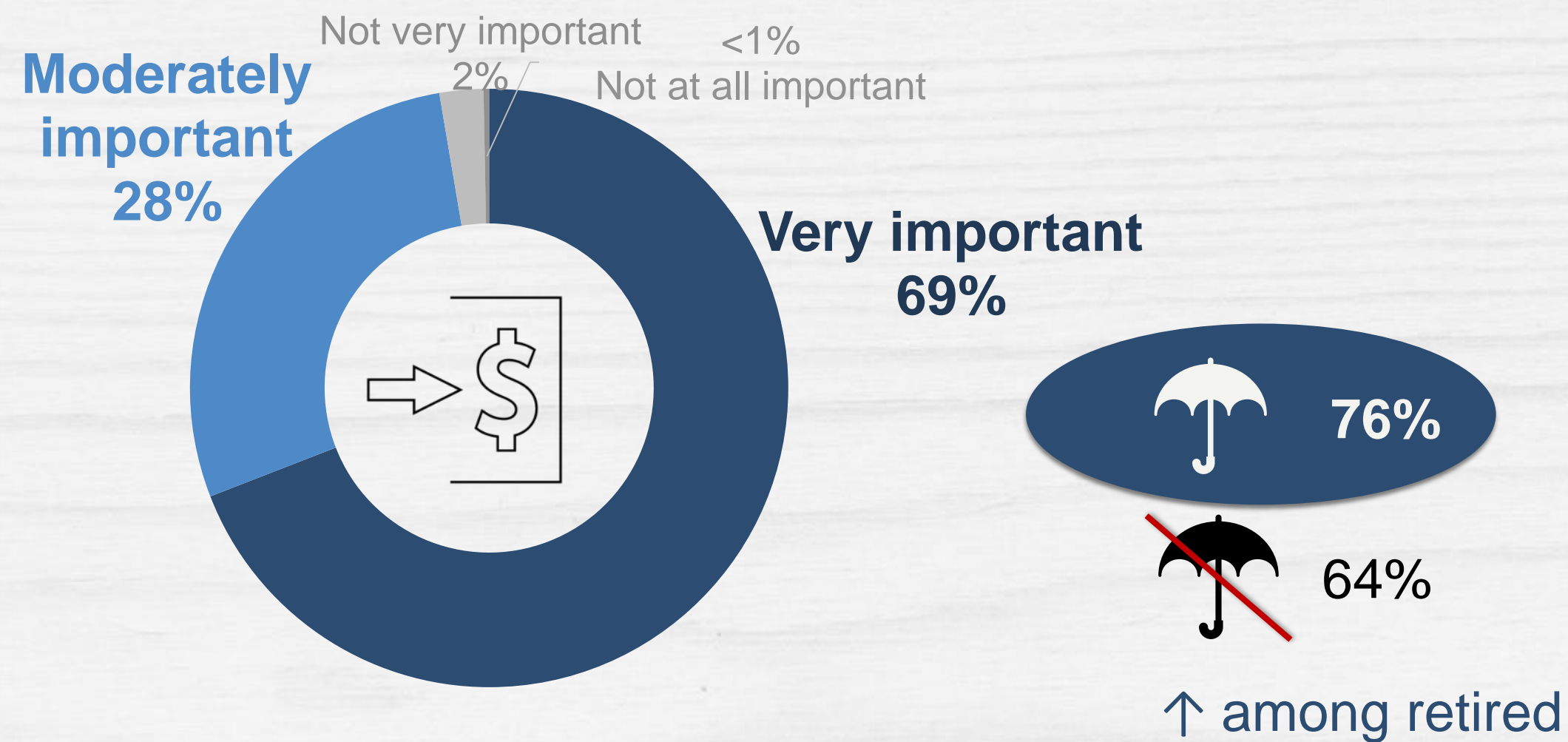


Seven in ten feel it's very important to have a regular, guaranteed source of monthly income in retirement.

Retirees and those with protected income are even more likely to emphasize the importance of this

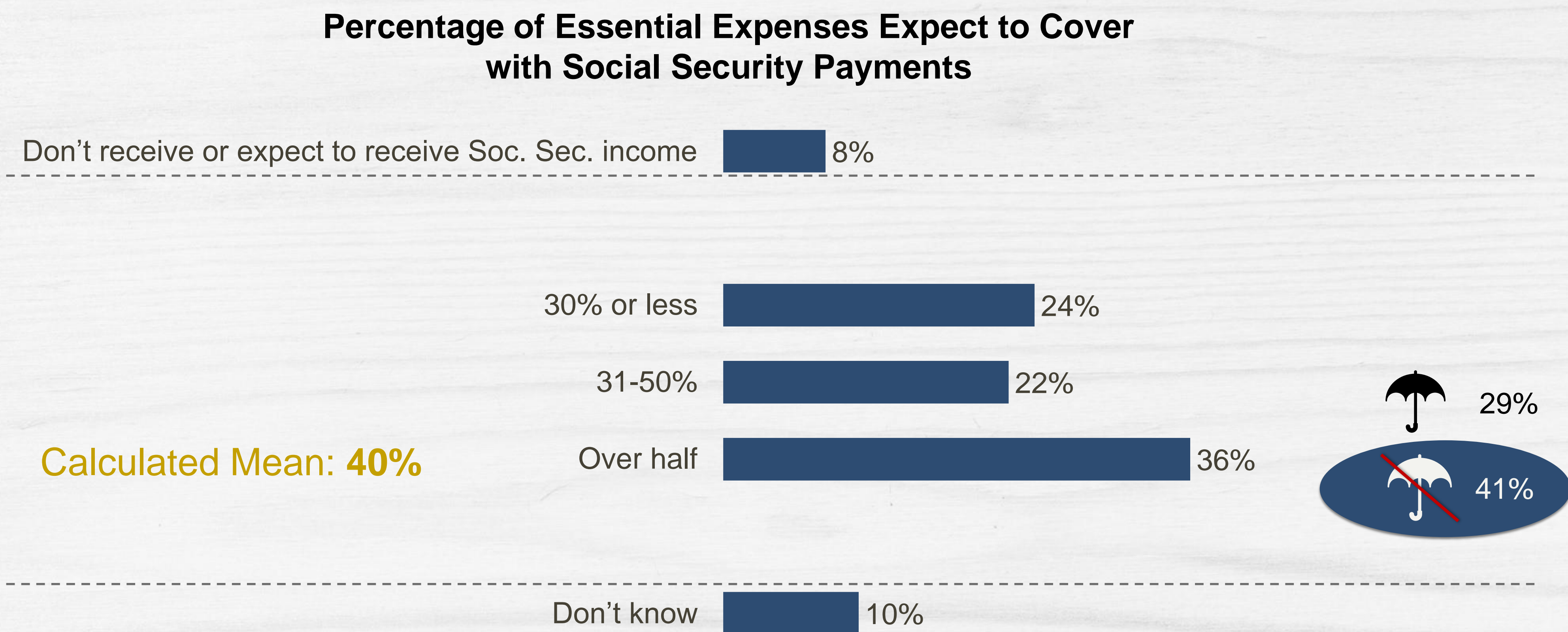


Importance of Having a Source of Regular, Guaranteed Monthly Income in Retirement



Most expect to rely on Social Security to cover over 30%, often much more, of their essential expenses in retirement

Those without protected income anticipate depending on Social Security to cover a higher proportion of their essential expenses in retirement.

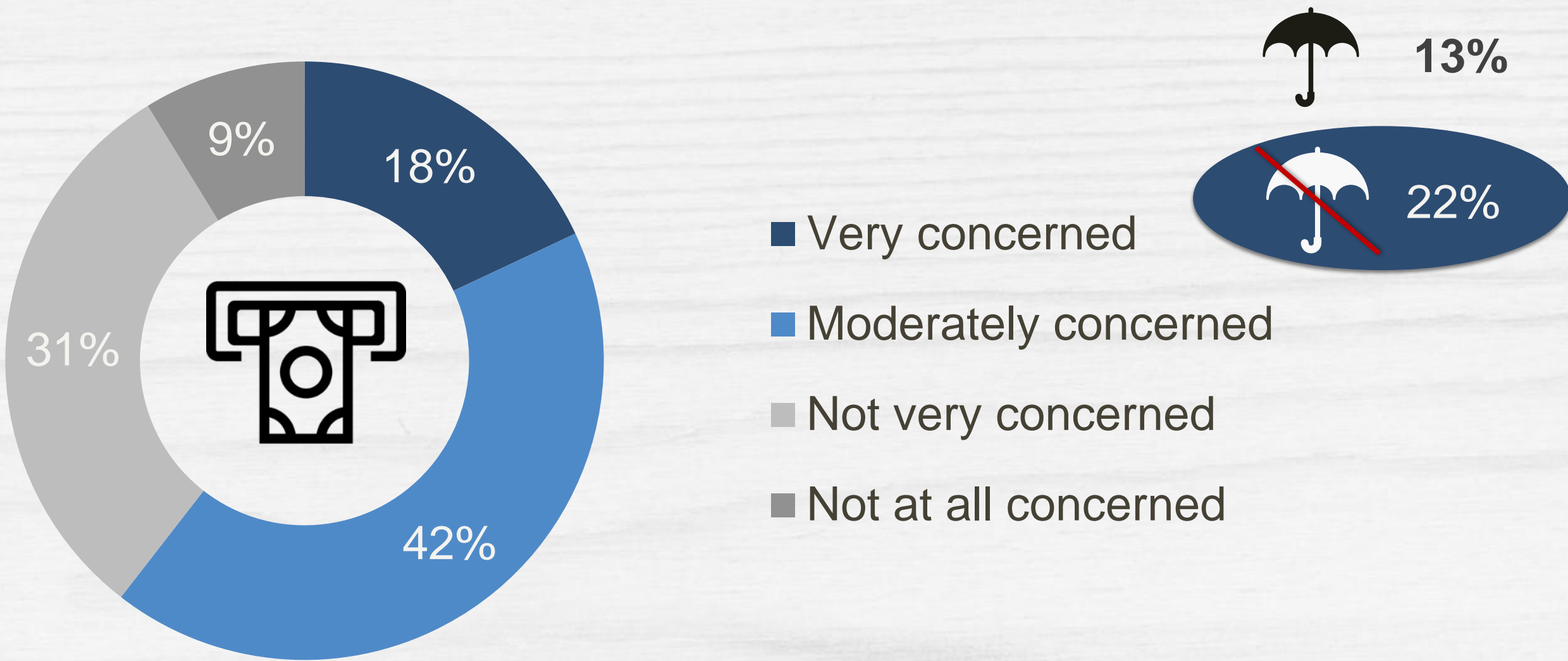


A majority of those who plan to withdraw income from their retirement savings to cover essential expenses are concerned about doing so

Those without protected income are most concerned



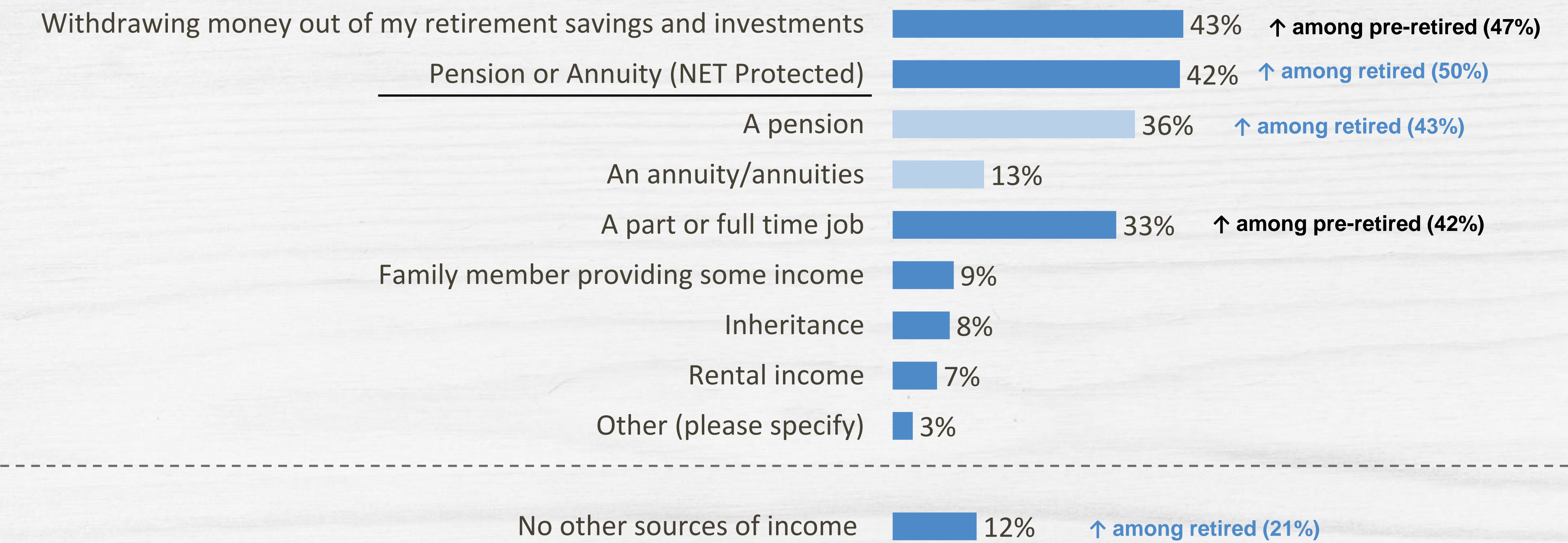
Among those who plan to withdraw income from retirement savings
Level of Concern about Withdrawing Money from Their Retirement Savings



Four in ten use or expect to use protected income to cover expenses not covered by Social Security

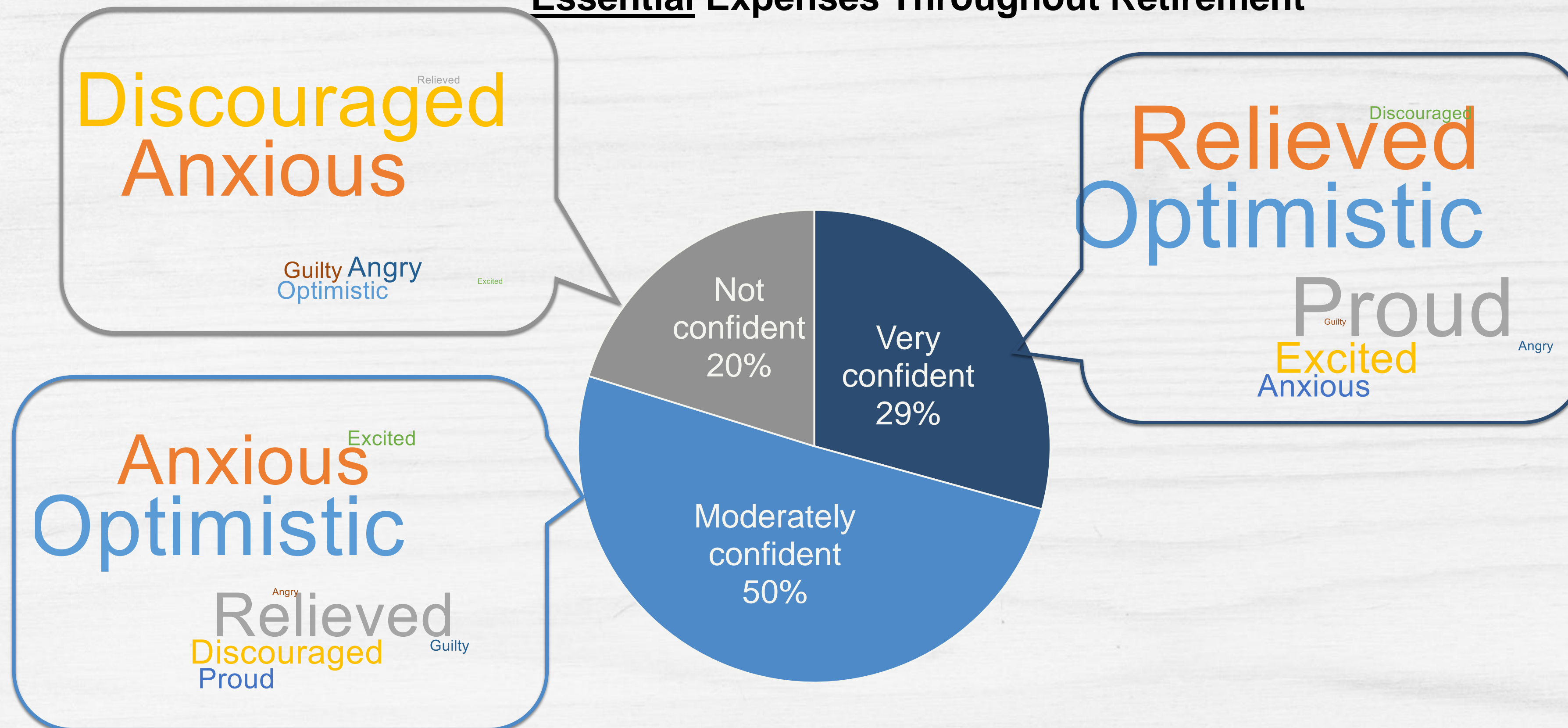
Retirees are more likely to rely on a pension while those still working are more likely to plan on using their retirement savings and/or work to cover expenses.

Sources of Income Use or Expect to Use to Cover Remainder of Their Expenses



Confidence in income results in feelings of relief, pride and optimism whereas uncertainty leads to anxiety and a sense of discouragement

**Level of Confidence that Income Will Cover
Essential Expenses Throughout Retirement**



APPENDIX



Respondent Profile

Gender	
Male	47%
Female	53%
Age	
40-49	26%
50-59	29%
60-69	28%
70-79	18%
Region	
Northeast	19%
South	38%
Midwest	21%
West	22%
Race/Ethnicity	
White/Caucasian	81%
Black/African American	11%
Hispanic/Latin origin	11%
Asian	6%
Amer. Indian / Alaska Native	1%
Other	2%

Marital status	
Married	55%
Living with partner	6%
Single, never married	17%
Divorced or separated	17%
Widowed	6%
Education	
High school or less	35%
Completed some/Associate's degree	28%
College graduate	19%
Graduate school (any)	17%
Current employment status	
Employed full-time	46%
Employed part-time	13%
Unemployed	6%
Homemaker	7%
Retired, but working part-time	5%
Fully retired	22%

Household income for 2019	
Less than \$50K	38%
\$50K < \$100K	32%
\$100K < \$250K	28%
\$250K or more	3%
Household's total investable assets	
Less than \$50K	40%
\$50K < \$100K	13%
\$100K < \$500K	27%
\$500K < \$1M	12%
\$1M < \$2M	5%
\$2M < \$3M	2%
\$3M or more	2%
Level of Involvement with Bill Pay in HH	
Make all of the monthly bill paying decisions alone	67%
Make most of the monthly bill paying decisions, with some input from others	19%
Share the monthly bill paying decisions equally with others	14%
Work with a Financial Advisor	
Yes	32%
No	65%
Not sure	3%