

## COVID-19'S FINANCIAL IMPACT

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Americans are rethinking retirement plans because of the pandemic, as millions decide to retire later than planned.



# PANDEMIC HAS MORE AMERICANS THINKING ABOUT A RETIREMENT RESET

COVID-19 and the subsequent market volatility are making Americans more pessimistic about their retirement plans and driving many to seek lower-risk options for their retirement investments.

The Alliance's latest Retirement Reset Tracker survey – conducted in June, studying American households between 56 and 75 years old with more than \$100,000 in investable assets – shows that people are rethinking retirement, including when, how and where to retire. In particular,

- 7 out of 10 pre-retirees in the survey are now pessimistic about their retirement plans.
- Almost 6 in 10 pre-retirees in the survey are reconsidering some aspect of their retirement plan, including how much money they'll need in retirement.
- An estimated 3.2 million American pre-retirees have decided to retire later than planned.

In addition, 1 in 4 pre-retirees are looking to reduce risk in their investments to protect their retirement, which may be leading many to consider protecting their retirement income with an annuity.

### PROTECTED INCOME IS A VITAL SOURCE OF CLIENT SECURITY AND COMFORT

The Alliance surveys indicate that the COVID-19 crisis, recent stock market turbulence and future unpredictability are causing a potential long-term shift in risk tolerance. Those still in the workforce – including those who have been recently laid off or furloughed – are more likely than retirees to shift toward lower-risk options; 29% of workers in the survey expect to lower their risk tolerance, while 19% of retirees said the same.

Meanwhile, among those who aren't concerned about the current market environment, 48% say having protected lifetime income in the form of a pension or annuity is one of the reasons they aren't worried. The No. 1 reason is having a diverse portfolio that can weather this kind of volatility.

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For millions of Americans, annuities have been a go-to solution because they:

- Provide a secure monthly income that people can count on, no matter what the market is doing.
- Help reduce the risk that they'll outlive their money since payments continue throughout retirement.

Chris Hernandez, a financial planner at Strategic Capital in Austin, Texas, says he hasn't been getting calls from clients asking to get out of the market, and he attributes at least some of this confidence to his use of annuities that protect their principal. During the Great Recession in 2008, "the people I met who already owned annuities weren't as concerned with the downturn, unlike those who didn't have annuities," he says.

People are mainly concerned about having enough income to cover their basic expenses in retirement. Only one-third are very confident they'll have enough income to cover expenses in retirement. Having a pension or annuity is an important reason people remain confident they'll have enough income to cover those basic expenses. This is likely the reason why 20% of pre-retirees now expect to retire later than they originally planned to make up for recent investment losses.

The great retirement reset is here, and people are looking for ways to protect their retirement. During this volatile time, Americans should consider working with their financial professionals to develop a truly diversified retirement "income" plan, one that includes annuities to protect part of their portfolio.

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