Faculty Retirement Patterns and COVID-19: Impacts, Challenges and Opportunities

Wednesday, May 26th, 2021 | 2:00-3:00pm ET
Agenda

- The underlying dynamic
- Then came COVID-19
- What to do?
- Addressing the psychosocial
The underlying dynamic
## 3 retirement mindsets

<table>
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<th>Traditional Retirees</th>
<th>Reluctantly Reluctant</th>
<th>Reluctant by Choice</th>
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<td>Want to retire by normal retirement age and expect to do so.</td>
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<td>Want to work beyond normal retirement age and expect to do so.</td>
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Poll Question

How many tenure-line faculty age 50 or older expect to work past normal retirement age (67)?

• 1/3
• 1/2
• 2/3
• 3/4
### 3 retirement mindsets

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**Distribution of tenure-line faculty, age 50 or older**

<table>
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<tr>
<th></th>
<th>50%</th>
<th>18%</th>
<th>32%</th>
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Reluctant retirees

% citing as major reason for expecting to work past age 67

- **Enjoy working**: 75%
- **Will still be effective at work**: 70%
- **No reason to retire**: 57%
- **Will need the money**: 32%
- **Will need to keep the health insurance**: 35%

**Want to work past 67**
- Prefer to retire by 67

Poll Question

Approximately how many of those who expect to work past 67, **but want to retire by then**, have carefully evaluated when they can afford to retire?

- 1/3
- 1/2
- 2/3
- 3/4

Approximately how many of those who expect to work past 67, **and want to do so**, have carefully evaluated how they could spend their time if they retired?

- 1/3
- 1/2
- 2/3
- 3/4
Reluctantly reluctant
- Only 36% have carefully evaluated when they can afford to retire.

Reluctant by choice
- Only 39% have carefully evaluated how they could spend their time if they retired.

Then came COVID-19
Poll Question

Since the onset of COVID, how many faculty age 50 or older expect to retire later?

- 1/4
- 1/3
- 1/2
- 2/3
COVID and retirement age

Expected retirement age increased for 25% of senior faculty after the onset of COVID-19.

- **Full-time senior faculty**
  - Expect to retire later: 25%
  - ...sooner: 11%
  - Total: 36%

- **Age 50-59**
  - Expect to retire later: 39%
  - ...sooner: 9%
  - Total: 48%

- **Age 60-plus**
  - Expect to retire later: 12%
  - ...sooner: 12%
  - Total: 24%

Source: *Higher Education Financial Wellness Survey, CUPA-HR and TIAA Institute (2020).*
Over 20% of senior faculty became less confident that they will have enough money for a comfortable retirement.

% whose retirement income confidence changed during COVID-19

<table>
<thead>
<tr>
<th>Category</th>
<th>Decreased</th>
<th>Increased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time senior faculty</td>
<td>24%</td>
<td>3%</td>
</tr>
<tr>
<td>Age 50-59</td>
<td>31%</td>
<td>7%</td>
</tr>
<tr>
<td>Age 60-plus</td>
<td>17%</td>
<td></td>
</tr>
</tbody>
</table>

Saving and investment confidence

Many senior faculty became less confident about the amount they are saving and how they are investing.

Confidence decreased

% of senior faculty whose retirement savings and investment confidence changed during COVID-19

<table>
<thead>
<tr>
<th>Activity</th>
<th>Confidence decreased</th>
<th>Confidence increased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving an adequate amount</td>
<td>21%</td>
<td>3%</td>
</tr>
<tr>
<td>Invested appropriately</td>
<td>17%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Two-thirds of retirement savers did not receive retirement planning and saving advice after the onset of COVID-19.

<table>
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<tr>
<th>Age</th>
<th>Received advice</th>
<th>No advice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time senior faculty</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>Age 50-59</td>
<td>28%</td>
<td>72%</td>
</tr>
<tr>
<td>Age 60-plus</td>
<td>40%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Issues in play

- Ongoing: significant share of faculty reluctant to retire.

- New context: expected retirement age increased for 25% of senior faculty; most common among those in their 50s.

- Near-term: need to trim faculty workforce in response to financial pressures.
What to do?
Traditional programs

Buyouts
- One-time fix.
- “Wrong” people may leave.
- What is the “right” offer?

Phased retirement
- Creates certainty regarding retirement timing.
- May not advance the timing of retirement.
- Financial incentives to enter phase by certain age.
Must address assumptions

Addressing assumptions positions individuals to make fully informed decisions.

- “Can I retire?” is a financial planning exercise.
- “Should I retire?” is a life planning exercise.
- Clarity can increase likelihood of retiring sooner.
- Supports traditional programs.
- Also a standalone strategy.
Addressing the psychosocial
Retirement

Retirement

Noun

1. 16th century French
   ‘Re’ = back + ‘Tirer’ = draw
   ‘Drawback’ or ‘Withdraw’
A Tale of Two Studies

The Terman Study
- 1921
- 1,528 gifted children

“What leads to long life?”

The Grant Study
- 1938
- 724 men

“What leads to a satisfied life?”
A Tale of Two Studies

The Terman Study

- “Conscientiousness”
  - Purposeful
  - Persistent
  - Detailed
  - Responsible
  - Thrifty

The Grant Study

- Relationships have the greatest impact on life satisfaction
The well-rounded retirement model

- Meaningful purpose
- Livable community
- Nurturing relationships
- Wellness lifestyle
- Mental acuity
- Emotional strength
Meaningful purpose

- Reassess
  - Reaffirm
  - Renew
  - Reinvent
Wellness lifestyle

Five wellness factors:
- Genetic factors
- Nutrition
- Medical care
- Environment
- Lifestyle choices
Emotional strength

- Reflection
- Resilience
- Optimism
- Adaptability
- Self-observation
Mental acuity

- Social interaction
- Routine
- Mental challenge
- Curiosity
Nurturing relationships
Financial foundation

- Choices
- Freedom
- Account balances
- Protection/coverages
- Spending
- Saving
Sources and resources
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Have a question?

Submit questions to our presenters using the Chat.
Thank you