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## Retirement

# What Retirement Crisis? Retirees Say They're Doing Just Fine, Thank You Very Much

The common narrative is that low yields are crushing retirees' income and lifestyle. Why do so many report having all the money they need? Here are five reasons

By Dan Kadlec @dankadlec | June 07, 2013 | 3

Maybe we worry too much about retirees. As a group, they are more likely than working people to describe their finances as comfortable, according to a new poll.

How can this be? Aren't oppressively low bank rates crushing the lifestyle of folks concentrated in conservative investments? Hasn't the housing bust wiped out much of their home-equity safety net? Weren't many forced to sell assets at low prices to make ends meet?

The answer to these questions is, in part, yes. Yet 75% of retirees report that they are financially comfortable right now, Gallup reports. That tops the 67% of working people who claim to be financially comfortable and suggests that whatever economic hardships have befallen elders, they are no more painful than those that have afflicted working folks.

On its face, the comfort level that retirees express is confounding. Low rates have curbed income, rendered fixed annuities a costly solution, and jacked up the premiums on long-term-care insurance, among other things. Meanwhile, retirees are far more likely to report less income than working people.

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So why are retirees feeling so secure? For one thing, only 41% of people past age 65 have interest-bearing and other financial assets in retirement accounts; Social Security is the principal income source for nearly half of older Americans and many others receive guaranteed income from a traditional pension plan. If you have no rate-sensitive investments, low rates are nothing to worry about.

Meanwhile, many of those with financial assets have shifted them into riskier segments of the market, like real estate investment trusts, high-yield corporate bonds and dividend-paying stocks. They have added risk, but their income hasn't necessarily fallen. So, again, low rates have had little impact on monthly income.

Besides, "many of today's retirees are Depression-era babies who have learned to live on less," says Debra Whitman, head of policy, strategy and international affairs at AARP. They feel secure because they have made financial adjustments to match their expenses with their income, she says. Such adjustments can be more difficult for working people who may still have children in the house and far higher expenses.

Another source of security is somewhat illusional in that it is rooted in recent experience. "The stock market has been going up and housing prices have been going up," notes Jorge Padilla, a financial adviser at Lubitz Financial Group in Miami. "People have a bias toward recent events, and those have been positive."

Other things retirees have going for them:

- Increasingly, retirees still have a mortgage and benefit from low rates like anyone that owes on a house. This is especially the case for retirees who have borrowed to purchase income property.
- Retirees are more likely to own stock and have benefited from stock dividends and a rising market.
- Only 4% of retirees have children at home, so they have way fewer expenses.
- Most retirees (84%) are much more likely than working people (56%) to own a home outright, reducing housing costs.
- Retirees are more likely to be married (61%) than working people (50%). Having a spouse may mean a second source of income, either through being married to someone who is still working or having an additional pension.

This isn't to say that retirees have no struggles. But because of their low expenses and generally frugal habits they seem to be coping better than we may believe — or, in any event, better than folks who are still working.

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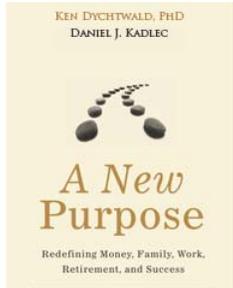
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