Northwestern Mutual Study Reveals That Americans Are Shifting Retirement Due to Pandemic

Gen Z and Millennials expect to retire before hitting age 60

MILWAUKEE, Oct. 5, 2021 /PRNewswire/ -- New research from Northwestern Mutual shows that Covid-19 has changed many Americans' retirement plans, with over one-third (35%) saying it has either moved up or pushed back their target retirement age. Almost a quarter (24%) plan to retire later than previously expected while 11% plan to retire earlier.

Notably, the findings also reveal that the two youngest generations of adults expect to retire before the age of 60 – Gen Z at 59.4 and Millennials at 59.5. Overall, the average age people expect to retire is 62.6, down slightly from 63.4 last year.

"The economic environment created by the Covid-19 pandemic has caused a lot of people to re-examine their financial lives," said Christian Mitchell, executive vice president & chief customer officer at Northwestern Mutual. "For some, the prospect of an early retirement appears more achievable, while others are adjusting for delays. In either case, having a holistic plan is critical to navigating the uncertainty and reaching your goals."

Shifting Timelines
For those planning to delay retirement due to the economic impacts of the pandemic, most (39%) say they'll push out retirement three to five years. But more than a third (35%) say their timeline for retirement has shifted back more than 10 years.

The top reasons cited for why people are delaying retirement include:

Wanting to work and save money given additional flexibility with their workplace - 55%
Concerns about rising costs like healthcare and/or unexpected medical costs - 50%
Having to dip into retirement savings - 24%
Taking care of a relative/friend; responsible for additional dependents - 14%

For those planning to retire earlier than expected, almost half (48%) say they are moving up their timeline by three to five years.

The top reasons cited for moving up their target retirement age include:

Wanting to spend more time with their loved ones - 42%
Focusing on hobbies/priorities outside of work - 33%
Realizing their personal mission is more important than saving more - 29%
Work situation has changed (laid off, etc.) - 28%

"Planning is not a one-and-done exercise," said Mitchell. "It requires ongoing upkeep and the flexibility to respond to shifting circumstances. With so many people revisiting their financial timelines this year, active planning should be a priority. That requires attention, engagement and a willingness to take action, and having the support of a trusted advisor is critical in that process."

Saving More, Needing More
On average, people have $98,800 saved for retirement, up from $87,500 last year. At the same time, people's expectations for how much they'll need to retire comfortably is also up, from $950,800 in 2020 to $1,047,200 in 2021.

While overall retirement savings are up, more than four in 10 (43%) believe they may outlive their savings, up slightly from 41% last year.

However, the data also show that people are proactively taking steps to address this concern, including:

Increasing savings - 29%
Putting together a financial plan - 22%
Discussing options with their family - 18%
Purchasing investments - 18%
Seeking advice from a financial advisor - 18%

When it comes to funding retirement, people plan to lean most heavily on their 401k (26.5%), Social Security (26.5%) and personal savings or investments (23.8%). However, nearly one-fifth (19%) of people say it is not at all likely that Social Security will be available to them when they retire, and 43% say they can imagine a time when Social Security no longer exists.

"It's clear that plans can unexpectedly change. That's why it's so important for people to get started early when it comes to retirement planning," said Mitchell. "Setting a goal and mapping the steps to get there will help with accountability and flexibility. And while retirement might be a moving target for some, we're seeing improvements in the ways people are preparing for their financial futures, and that's a great thing."

About The 2021 Northwestern Mutual Planning & Progress Study
The 2021 Planning & Progress Study was conducted by The Harris Poll on behalf of Northwestern Mutual and included 2,320 American adults aged 18 or older who participated in an online survey between March 16 – 26, 2021. Results were weighted to Census targets for education, age/gender, race/ethnicity, region and household income. Propensity score weighting was also used to adjust for respondents' propensity to be online. No estimates of theoretical sampling error can be calculated; a full methodology is available.

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