MICHIGAN RETIREMENT AND DISABILITY RESEARCH CENTER
UNIVERSITY OF MICHIGAN

Promoting research on retirement, disability, and Social Security policy

Self-assessed Savings Adequacy Before and After the COVID-19 Pandemic

Susann Rohwedder, Michael D. Hurd, Axel Börsch-Supan, and Tabea Bucher-Koenen*

Even before the pandemic, there were concerns that many households had insufficient savings for retirement. In previous work, we investigated whether individuals, looking back, wished they had saved more (and spent less) earlier in life, which we called "saving regret." We conducted two surveys in the RAND American Life panel, in 2016 and in 2018, and we found that 55% of those ages 60 to 79 wished they had saved more and spent less earlier in life. Saving regret was strongly related to measures of personal or financial shocks that either set the household back financially or that improved household finances. Negative shocks included unexpected events such as unemployment, health problems limiting the ability to work, divorce, death in the family, and unexpected large expenses. Positive shocks included higher than expected earnings or higher than expected returns on investments or from businesses.

The COVID-19 pandemic brought about numerous shocks and disruptions to people's lives, and even those who did not experience economic shocks firsthand may have felt that the economic environment had become more uncertain. Yet, because of a substantial expansion of government unemployment benefits and economic impact and stimulus payments, some households may have experienced positive shocks.

To gauge how U.S. households fared coming out of the pandemic, we designed and fielded an additional survey in the RAND American Life Panel (August to September 2022). Our survey collected data on saving regret and other indicators of financial security in most cases from the same persons, permitting the analysis of within person or within household change.

Three self-assessed indicators of economic circumstances of individuals ages 60 to 79 indicated a small improvement in economic circumstances overall. In the post-pandemic survey, about 53% said they wished they had saved more, while 57% said so in 2018. The proportion of respondents who said they did not have enough financial resources to meet future needs declined from 47% prepandemic to 41% in 2022. Individuals' subjective chances of running out of money in the future fell by 2.6 percentage points. These results suggest that financial well-being in the older population was not harmed by the pandemic and possibly improved overall.

Panel data (observations on the same individuals both pre- and post-pandemic) show the same trend. The frequency of saving regret decreased by 9.2 percentage points with decreases across nearly all subgroups, and particularly large decreases among the least educated

***Susann Rohwedder** is a senior economist at RAND and ssociate director of the RAND Center for the Study of Aging. **Michael Hurd** is principal senior researcher and director of the RAND Center for the Study of Aging. **Axel Börsch-Supan** is director of the Max Planck Institute's Munich Center for the Economics of Aging. **Tabea Bucher-Koenen** has been head of the ZEW Research Department International Finance and Financial Management. This research brief is based on working paper MRDRC WP 2024-488, UM23-16.

respondents, Black respondents, and respondents initially in the lowest income quartile. These groups were more likely to have received stimulus payments.

We asked respondents about negative shocks earlier in life that set them back financially. In the prepandemic survey, 69% reported such a shock; in the post-pandemic survey 75% reported that one or more such shocks occurred during the period of the pandemic. This comparison is striking given the difference in reporting period: It could be as much as 40 years in the prepandemic survey, but it was just two and a half years in the post-pandemic survey.

The most widely reported negative shock in the post-pandemic period was inflation (60%) reflecting an inflation rate not seen since the 1980s. The second-most widely reported negative shock was poor investment or business returns.

Seventy-three percent reported a post-pandemic positive shock that helped "their finances turn out better than expected," compared with just 64% prepandemic. Again, this is striking given the shorter recall period for post-pandemic shocks. The most frequently reported positive shock was economic stimulus payments, reported by 57% of the population. Twenty-one percent reported lower than expected household spending, reflecting the pandemic scarcity of some products as well as restrictions on travel and social contact.

We asked respondents about their subjective probability of inflation on a 0 to 100 scale. On average, respondents gave a 64% chance that prices in general would increase by at least 10% over the next year and a 45% chance that prices in general would increase by at least 15%. Yet, respondents, on average, gave only a 35% chance of income keeping up with inflation, whether over the next one year or the next five years, indicating that many anticipated a decline in real income.

We asked about the chances respondents might run out of money sometime in the future, both unconditionally and conditional on a persistently low (2%) inflation scenario and a persistently high (10%) one. For the case of persistently low inflation, respondents gave a 26% chance of running out of money, which is about the same as in the unconditional case. The small difference suggests that most respondents believed that the high inflation of 2022 was temporary, and that inflation would revert to something closer to 2%, as it had been for years prior to the pandemic. For the conditional case of persistently high inflation, they gave a subjective probability of 49% of running out of money in the future, showing the sensitivity of their economic outlook to inflation.

Summary

As measured by saving regret and by several other indicators, the economic position of 60 to 79 year olds showed a small improvement over the pandemic years. This is quite remarkable because of the large spike in the unemployment rate and in the inflation rate during that time. Explanations include the high recipiency rate of government programs (stimulus funds and augmented unemployment compensation) and the high saving rate resulting from staying at home and from the scarcity of some goods.

Both before and after the pandemic, shocks were the most important predictors of saving regret. Respondents were particularly attuned to the effects of inflation: They expressed elevated chances of running out of money under high inflation, estimating their average chance of doing so to be 49% under persistent 10% inflation. Thus, many 60 to 79 year olds perceive that inflation causes them substantial economic harm. ❖

Michigan Retirement and Disability Research Center
Institute for Social Research
426 Thompson Street, Room 3026
Ann Arbor, MI 48104-2321
Fax: (734) 615-2180
mrdrcumich@umich.edu www.mrdrc.isr.umich.edu

Sponsor information: The research reported herein was performed pursuant to grant RDR18000002 from the U.S. Social Security Administration (SSA) through the Michigan Retirement and Disability Research Center (MRDRC). The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the federal government, or the MRDRC.

Regents of the University of Michigan:
Jordan B. Acker, Huntington Woods; Michael J. Behm, Grand Blanc; Mark J. Bernstein, Ann Arbor; Paul W. Brown, Ann Arbor; Sarah Hubbard, Okemos; Denise Ilitch, Bingham Farms; Ron Weiser, Ann Arbor; Katherine E. White, Ann Arbor; Santa J. Ono, *ex officio*