

Finding Seven: Only About 28% of US Households Would Experience Shortfalls if Retiring at 70, Compared to 45% if Retiring at 65

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Finding Seven Summary

- A. In our study,¹ we conducted sensitivity testing to assess the impact of retiring earlier or later than our baseline retirement age of 65.
- B. Namely, we calculated retirement funded ratios assuming a retirement age of 62, 67, and 70. The results are intuitive, with retirement adequacy improving substantially at later retirement ages.

Exhibit 8: Percentage of Americans Ages 20+ with Retirement Funding Ratio Less than 1 by Retirement Age

Category	Couple	Single Male	Single Female	Aggregate
Retire at 62	50%	50%	64%	54%
Retire at 65	41%	40%	55%	45%
Retire at 67	34%	31%	47%	38%
Retire at 70	26%	21%	36%	28%

Source: Authors' calculations using v1.0 of the Morningstar Model of US Retirement Outcomes. Household data is from the 2022 Survey of Consumer Finances. Household members are assumed to claim Social Security upon retirement. Portfolio returns are from Morningstar Investment Management. Refer to the main study for more information: <https://www.morningstar.com/business/insights/research/retirement-crisis-401k>.

Commentary on Findings:

- × While we acknowledge that many Americans are unable to or do not want to work later, the results show that Americans can benefit from delaying retirement. There are multiple factors behind this result. First, working longer decreases the retirement time horizon, meaning that less savings is needed in general. Second, working longer also means there is more time for retirement savings to accumulate with the capital markets. Third, deferring Social Security benefits to normal retirement age or to age 70 can boost the amount of real income provided compared to claiming at age 62.
- × We also analyzed the different retirement age results by race and ethnicity, finding that Hispanic Americans and non-Hispanic Black Americans benefit the most from delaying retirement. Refer to Exhibit 9 in the main paper.²

¹ Refer to the main study: <https://www.morningstar.com/business/insights/research/retirement-crisis-401k>

² Refer to the main study. Link is provided in footnote 1.

- ✗ We also reviewed the sensitivity results by income quartile, noting that lower-income workers stand to benefit the most from delaying retirement, with 71% of Americans in the first income quartile projected to run short of money in the baseline (retire at 65) scenario compared to just 52% when retiring at age 70. Refer to Exhibit 10 in the main paper.³

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³ Refer to the main study. Link is provided in footnote 1.