



Retirement Spending: Revolutionize Your Thinking

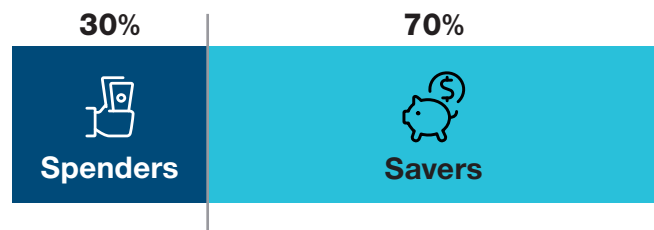
Key Takeaways



Conventional wisdom assumes all retirees spend their assets the same way through retirement. But different retirees have different spending and saving preferences. Our research discovered that while some retirees draw down their account balance, many others choose to **maintain**, or **even grow**, their balance throughout retirement. Learn how this information can be used to better plan for retirement.

Not all retirees draw down their assets in retirement

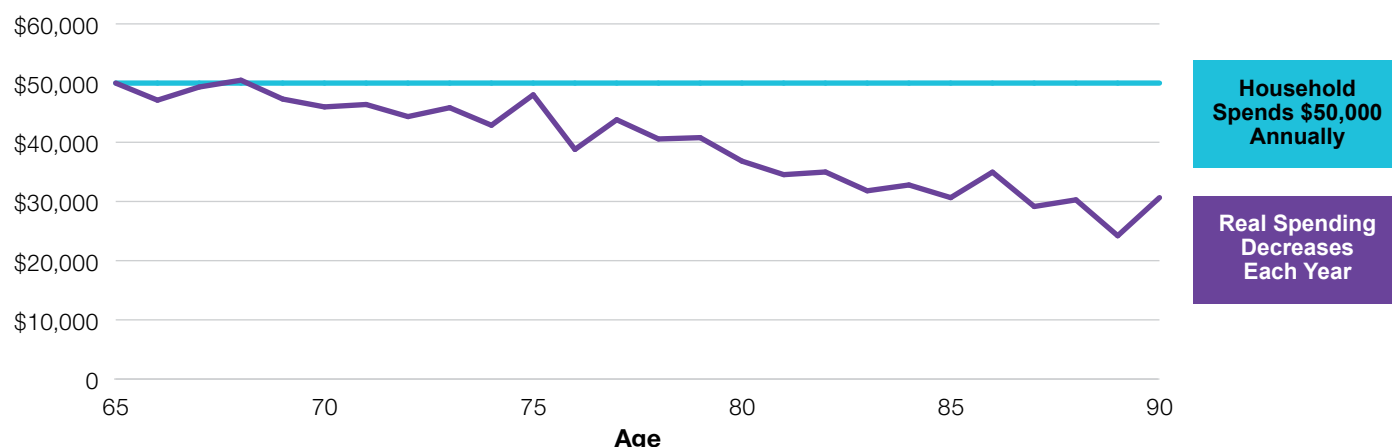
- 30% are **Spenders**: Adjust their **balance** to maintain their **spending**
- 70% are **Savers**: Adjust their **spending** to maintain their **balance**



Spending through retirement does rise, but slowly

- Spending in retirement does increase over the years, but more slowly than we've assumed.
- Instead of rising each year to match the rate of inflation, retiree spending increases about two percentage points less than the conventional assumption.
- That means people who have been retired for a number of years are spending much less than what we generally assume.

Real spending (adjusted for inflation)



Source: Banerjee, Sudipto, *Decoding Retiree Spending*, T. Rowe Price Insights on Retirement, T. Rowe Price Group, Inc., March 2021 analysis of Health and Retirement Study, public use dataset. Produced and distributed by the University of Michigan with funding from the National Institute on Aging (grant number NIA U01AG009740). Ann Arbor, MI.

Retirement spending differs based on household net worth

- Within retirement spending patterns, we see differences based on household wealth.
- Low Net Worth households have real spending that is almost flat throughout retirement.
- But High Net Worth households cut their real spending at a faster rate than retirees overall.
- This suggests “less spending” is a voluntary choice and not something people do because they’re running short on resources.

What drives Savers to preserve assets instead of spend?

- Rational goals: Savers might have a specific future goal in mind, like covering late-in-life medical expenses or leaving money to children.
- Psychological goals: Some may derive satisfaction from the balance itself or use the balance as a way to assess how they’re doing.
- Behavioral goals: Many Savers are used to spending less than they could throughout their lives and continue that behavior in retirement.

Retirement planning lessons



Recognize that different people have different preferences; determine what those preferences are.



Find out the “why” behind the preferences. What are the motivations behind how someone views money?



Pursue planning solutions that are in line with those preferences and remember they may change over time.

NEXT STEPS

Talk with your T. Rowe Price representative or financial professional to learn more about the Retirement Spending program.

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