# Retirement readiness among the higher education workforce

## *Impact of COVID-19*

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# Executive summary

Since the onset of COVID-19, 22% of the full-time higher education workforce have become less confident that they will have enough money to live comfortably throughout retirement. At the same time, 9% have become more confident. The *2020 Higher Education Financial Wellness Survey* examines various elements of retirement readiness among college and university employees in this context.

Many full-time employees in higher education have made changes to their retirement saving and investments since the onset of COVID-19.

- Twenty-five percent of retirement savers increased the amount they are saving, while 22% decreased their saving, including 4% who stopped saving.
- Forty percent of retirement savers changed the investment of their savings, with essentially equal shares decreasing (19%) and increasing (21%) their equity exposure.
- On net, 54% of retirement savers changed the amount they are saving and/or the investment of their savings.

Nonetheless, confidence about the amount being saved and the investment of savings has been shaken since the onset of COVID-19.

- Twenty percent of those currently saving for retirement have become less confident that they are saving an adequate amount; 7% have become more confident.
- Seventeen percent of retirement savers have become less confident that their savings is invested appropriately, while 8% have become more confident.

Other issues related to retirement readiness concern many college and university employees, as well.

- There is limited confidence among retirement savers that they will choose the best way to draw income from their savings during retirement; while 20% are very confident that they will do so, an essentially identical 21% are not too or not at all confident.
- Thirty percent of the higher education workforce are not too or not at all confident that they will have enough money to take care of out-of-pocket medical expenses during retirement; 47% are not confident about their ability to pay for long-term care if needed.

Over one-half of retirement savers in higher education have received financial advice on planning and saving for retirement within the past two years; one-third since the onset of COVID-19.

- Thirty-six percent of those who received advice within the past two years and 43% of those receiving advice since the onset of COVID-19 are very confident about having enough money for a comfortable retirement. By comparison, only 15% of those who have not received advice within the past two years are very confident.

## Introduction

Achieving and maintaining financial wellness has proven challenging for many individuals and households since the onset of COVID-19 and its economic consequences. Retirement readiness is a key dimension of financial wellness which has been affected.

The College and University Professional Association for Human Resources (CUPA-HR) and the TIAA Institute designed the *2020 Higher Education Financial Wellness Survey* to examine personal finances and financial wellness among the full-time higher education workforce in the context of the COVID-19 pandemic, with a particular focus on the multifaceted elements of retirement readiness. These elements include retirement saving and investing and converting savings to income during retirement, as well as addressing retiree medical and potential long-term care expenses, all in the context of an unknown lifespan.

The *2020 Higher Education Financial Wellness Survey* was fielded online from September 18 to October 17, 2020, with a sample of 1,195 faculty, staff and administrators employed full time by a public or private nonprofit college or university.[1] Responses were weighted to be representative of the full-time higher education workforce.

1 Survey respondents were selected from members of the Research Now online research panel, one of the most comprehensive and deeply profiled online survey panels.

## Retirement readiness

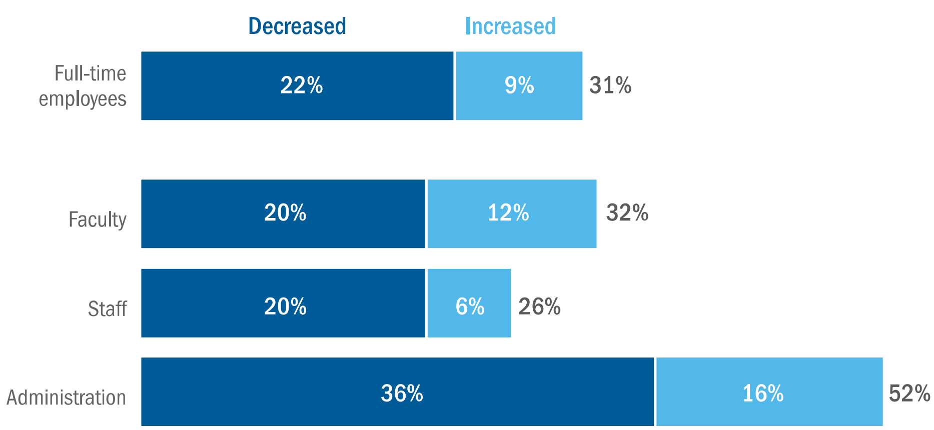
One dimension of personal finances impacted by the COVID-19 pandemic and its economic consequences is retirement readiness. While the vast majority of college and university employees participate in an employment-based retirement plan, confidence among many regarding various aspects of retirement income security has been shaken.[2]

Since the onset of COVID-19, 22% of college and university full-time employees have become less confident about having enough money to live comfortably throughout retirement (Figure 1). At the same time, 9% have become more confident in this regard. Decreased retirement income confidence was most common among those in administration (36%); increased confidence was also most common among administration (16%).

### Figure 1. Retirement income confidence

**Over 20% of higher ed employees have become less confident that they will have enough money for a comfortable retirement.**

% whose retirement income confidence has changed during COVID-19



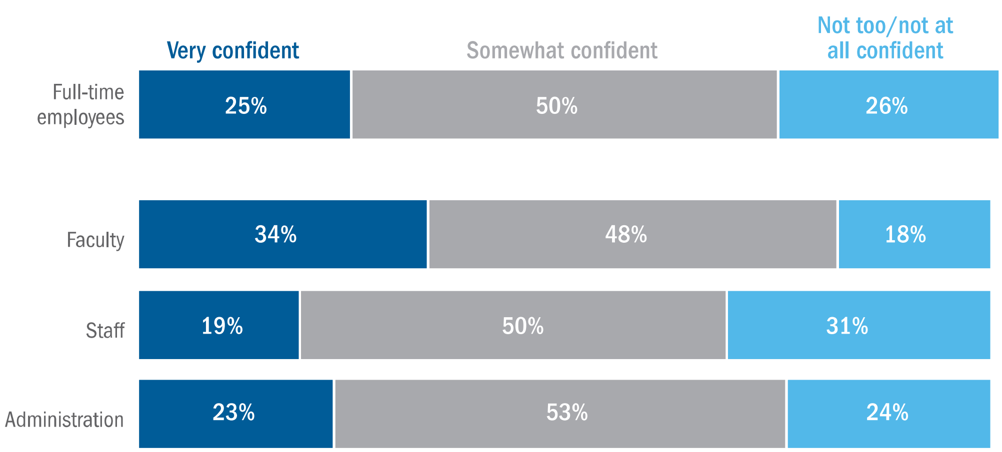

Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

2 Ninety-one percent of college and university employees participate in a retirement plan at their institution. Two-thirds (64%) are in a traditional pension, i.e., a defined benefit retirement plan. One-half (52%) participate in a defined contribution (DC) retirement plan, such as a 403(b) plan. (Twenty-five percent are in both a DB and a DC plan.)

Figure 2 shows retirement income confidence levels across the higher education workforce given the impact of COVID-19 and its economic consequences. Essentially equal percentages of full-time college and university employees are very confident and not too or not at all confident that they will have enough money for a comfortable retirement, 25% and 26%, respectively. One-half are somewhat confident. Retirement income confidence is greatest among faculty, 34% of whom are very confident. Confidence appears lowest among staff, 31% of whom are not too or not at all confident about their retirement income prospects.

## Figure 2. Retirement income confidence

**One-quarter each of higher ed employees are not confident and very confident about having enough money for a comfortable retirement.**




Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

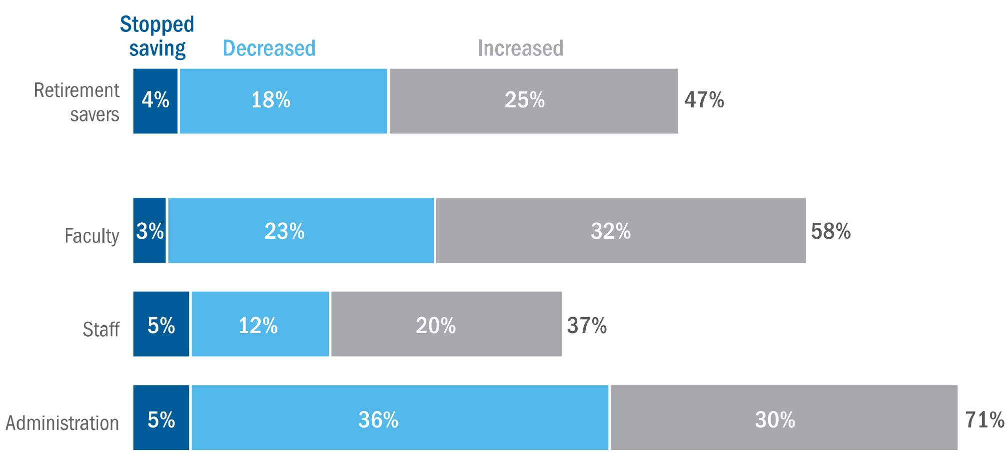
## Saving and investing for retirement

Not only have perceptions of retirement readiness among higher education employees changed since the onset of COVID-19, but retirement saving and investing decisions have changed for many, as well.[3]

Almost one-half (47%) of retirement savers in higher education have changed the amount they are saving since the onset of COVID-19, with close to equal numbers decreasing and increasing their saving (Figure 3). Twenty-five percent increased the amount they are saving for retirement, while 22% decreased their savings, including 4% who stopped saving. Among those decreasing their saving, 76% used the money to help cover current expenses and 51% to build emergency savings.

### Figure 3. Retirement saving

**Almost equal shares of retirement savers have decreased and increased the amount they are saving since the onset of COVID-19.**




Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

[3] Among those not participating in a DC plan, 71% are currently saving for retirement on their own. On net then, 86% of college and university employees are currently saving for retirement. In addition, 29% of those not currently saving have money saved for retirement. Therefore, 90% of full-time higher education employees can be classified as retirement savers.

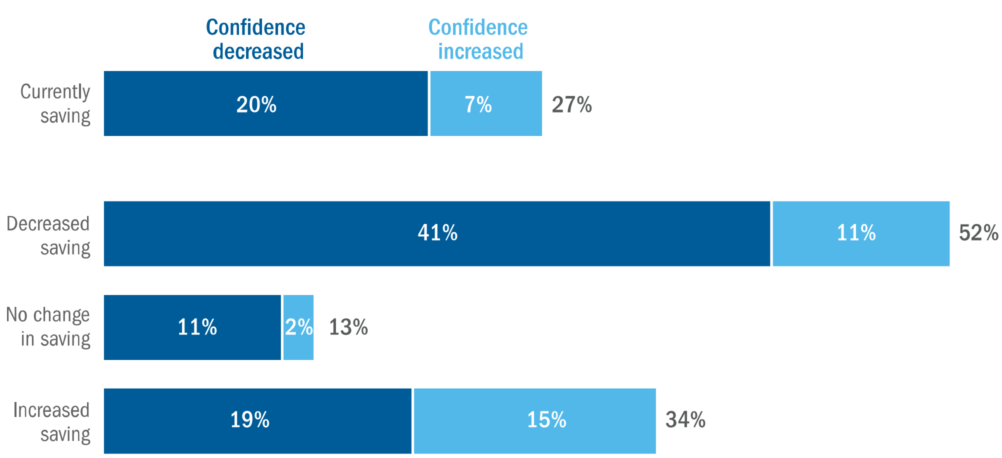
Faculty and administration are most likely to have increased the amount they are saving, 32% and 30%, respectively. Those in administration are also most likely to have decreased their retirement savings (41%). Retirement savers under age 50 are more likely than those 50 or older to have changed the amount they are saving. One-third of younger savers increased their retirement savings and 30% decreased it. The analogous figures among older savers are 15% and 13%, respectively.

At the same time, 20% of those currently saving for retirement have become less confident that they are saving an adequate amount; 7% have become more confident (Figure 4).[4] Decreased confidence is most common among those who decreased their saving–41% have become less confident. This indicates that their decreased saving was likely driven by short-term financial necessity as opposed to long-term planning. Among those who increased their retirement saving, close to equal shares have become less and more confident that they are saving enough, 19% and 15%, respectively. Decreased confidence among those who increased their savings, as well as those who did not change their savings, may be due to concerns created by financial market volatility experienced during this period. A decrease in retirement savings confidence was most common among those in administration (32%).

## Figure 4. Retirement saving confidence

**20% of those currently saving for retirement have become less confident that they are saving an adequate amount.**

% whose retirement savings confidence has changed during COVID-19



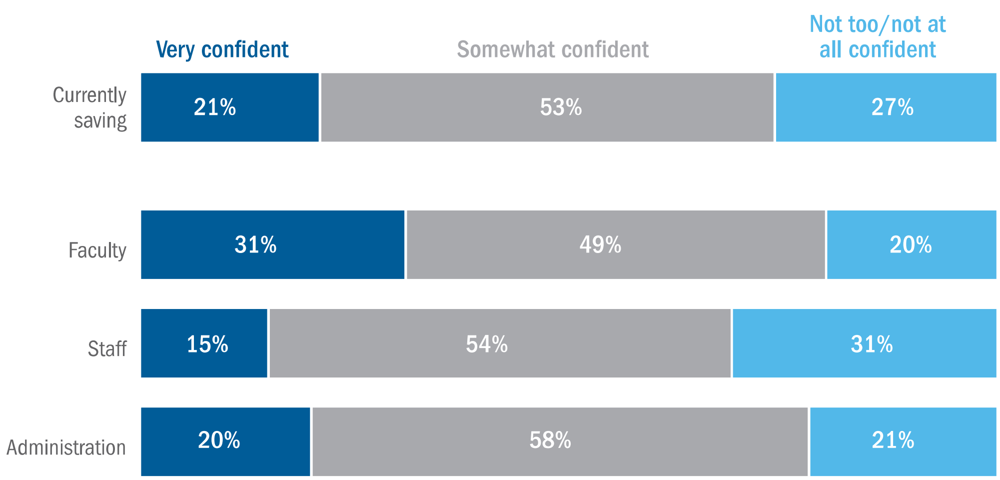

Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

4 Only those currently saving for retirement were asked about their confidence in the amount they are saving.

Given the impact of COVID-19 and its economic consequences, 27% of those currently saving for retirement are confident that they are saving an adequate amount compared to 21% who are not too or not at all confident (Figure 5). Retirement savings confidence tends to be highest among faculty, 31% of whom are very confident that they are saving an adequate amount. Retirement savings confidence tends to be lowest among staff, 31% of whom are not confident. Those under age 50 are more likely to be very confident than those 50 or older, 25% and 16%, respectively.

## Figure 5. Retirement saving confidence

**One-quarter of those currently saving for retirement are not confident that they are saving an adequate amount.**

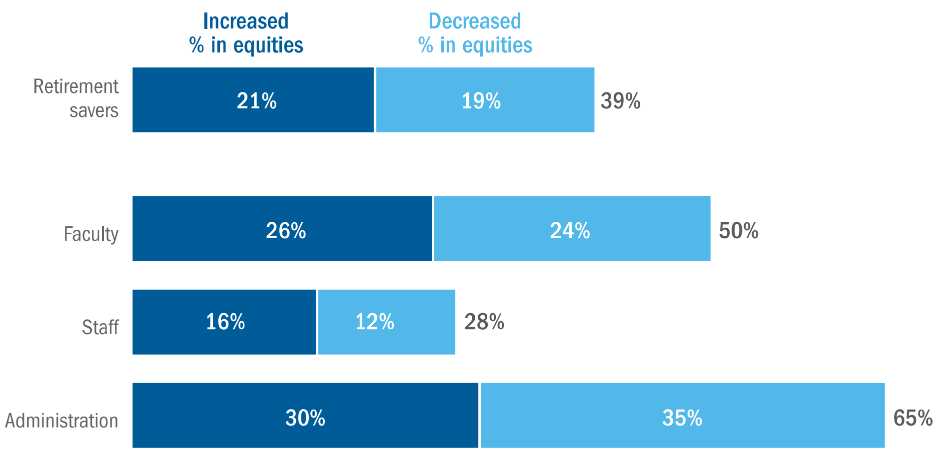



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

Similar dynamics exist with investing retirement savings. Forty percent of retirement savers in higher education have changed the investment of their savings since the onset of COVID-19, with essentially equal shares decreasing (19%) and increasing (21%) their equity exposure (Figure 6). This is likely in response to volatility in financial markets over this period. Employees in administration positions are most likely to have changed their retirement investments–35% decreased and 30% increased their equity exposure. In fact, within the three occupation groups, there is little difference between the percentage who decrease equity exposure and the percentage who increase it.

## Figure 6. Retirement investing

**Almost equal shares of retirement savers have decreased and increased their equity exposure.**



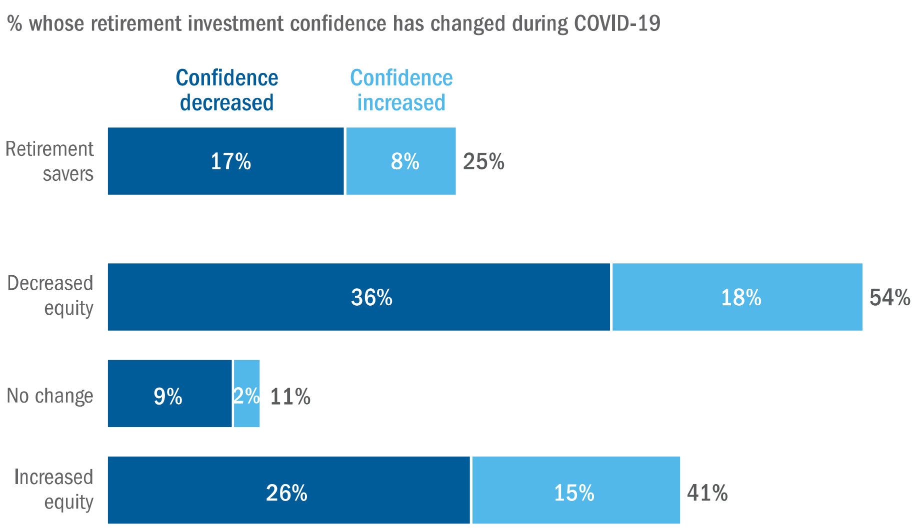

Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

Savers under age 40 and age 40-49 are equally likely to have changed the investment of their retirement savings (53% and 52%, respectively). This is more than double the 21% of those age 50 or older who have done so. However, while savers age 40-49 were equally likely to increase or decrease equity exposure (26% each), those under age 40 were twice as likely to increase it (36%) as to decrease it (17%).

As with saving and saving confidence, a change in investment confidence is more common among those who changed their investments than those who made no changes–54% of those who decreased their equity exposure and 41% of those who increased their equity exposure compared with 11% of those who made no changes (Figure 7). In all three cases, decreased confidence was more common than increased confidence. Decreased investment confidence was most common among savers who decreased their equity exposure (36%). Increased confidence was equally likely among those with decreased and those with increased equity exposure (18% and 15%, respectively). On net, 17% of retirement savers in higher education have become less confident that their savings is invested appropriately, while 8% have become more confident.

## Figure 7. Retirement investment confidence

**Close to 20% of retirement savers have become less confident that their savings is invested appropriately.**



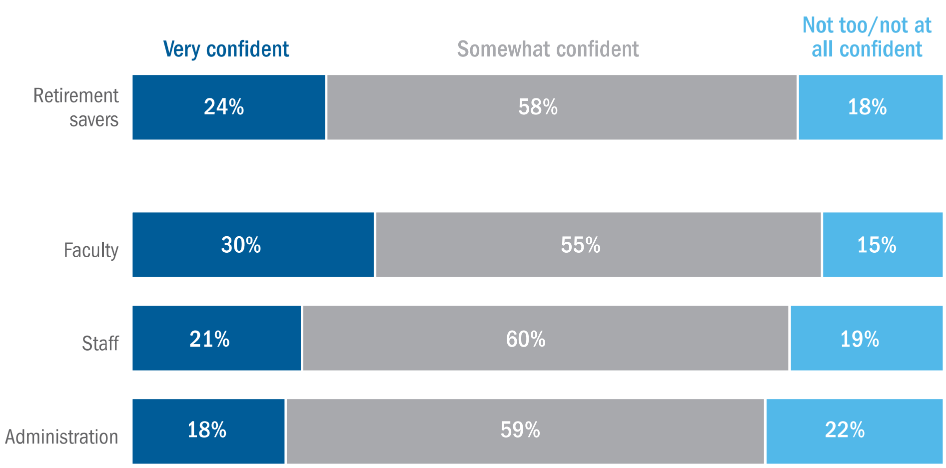

Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

Decreased investment confidence is most common among those in administration positions (36%). Increased confidence is most common among administration and faculty (14% and 12%, respectively). A change in investment confidence is more common among retirement savers under age 50, particularly increased confidence. Investment confidence increased among 12% of those under 50 compared with 2% of their older peers.

Given the impact of COVID-19 and its economic consequences, 24% of retirement savers in higher education are very confident that their savings is invested appropriately, while 18% are not too or not at all confident (Figure 8). Investment confidence is highest among faculty–30% are very confident. There is little difference in investment confidence across age groups.

## Figure 8. Retirement investment confidence

**One-quarter of retirement savers are very confident that their savings is invested appropriately, but almost 20% are not.**




Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

## Retirement savings to retirement income

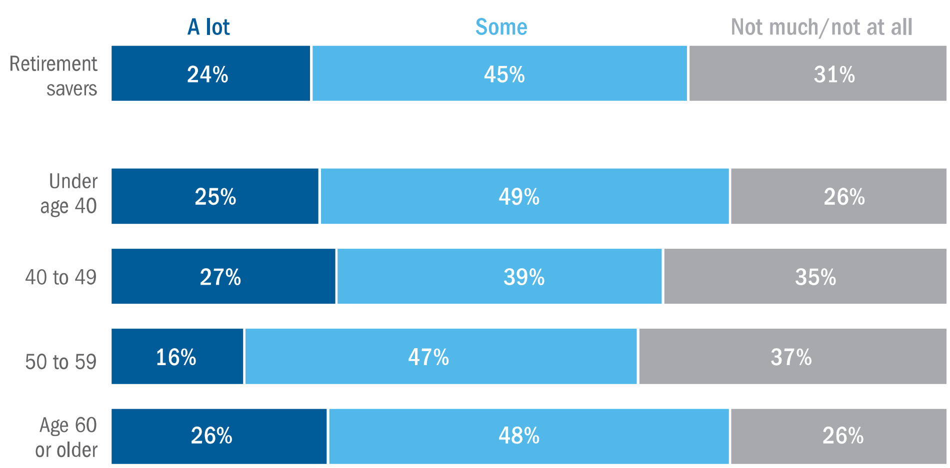
Realizing an adequate and secure income throughout retirement involves appropriate decumulation of savings during retirement. Decumulation is intrinsically difficult because of uncertainty regarding important factors, in particular the lifespan of a retiree (and a spouse or partner) and the rate of return savings will earn during retirement. Decumulation decision making is particularly important for those who will not receive benefits from a DB plan; they must draw on accumulated savings to produce an income stream analogous in some sense to benefit payments from a DB plan. With that said, even DB participants must decide when and how to draw from retirement savings.

Few retirement savers (24%) in higher education have given a lot of consideration to how they will manage their savings in retirement and draw income from it (Figure 9). In fact, 31% have given this little, if any, thought. This is true even among those age 60 or older—only 26% have thought a lot about decumulating their retirement savings.

### Figure 9. Converting savings to income

**About one-third of retirement savers have thought little, if at all, about how to draw income from their savings during retirement.**

To what degree have you considered how you will manage your savings in retirement and draw income from it?

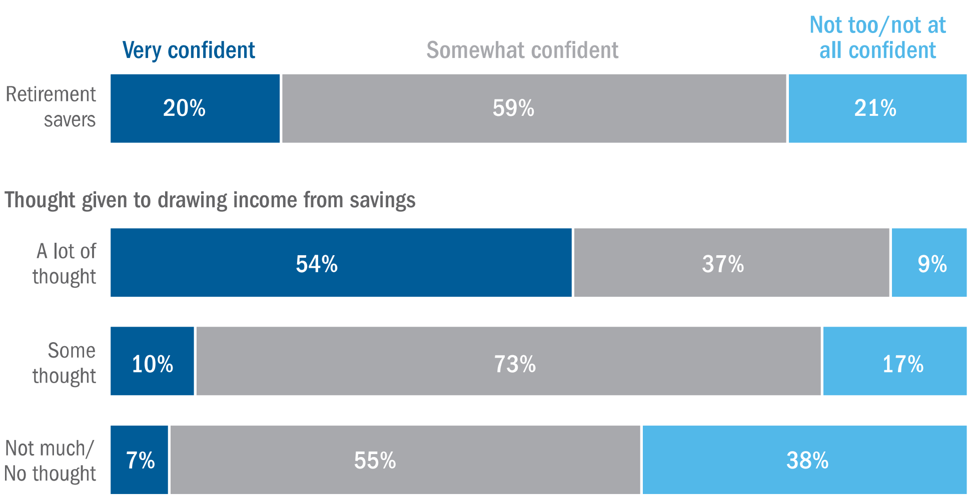



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

There is limited confidence among retirement savers about choosing the best way to draw income from their savings during retirement–20% are very confident that they will choose the best way to do so, while an essentially identical 21% are not too or not at all confident (Figure 10). Limited confidence in this regard is not surprising given the lack of consideration noted above. In fact, the relationship between consideration and confidence is dramatic—54% of those who have thought a lot about decumulating their retirement savings are very confident that they will make the best choice, while only 9% are not too or not at all confident. The analogous figures are 7% and 38%, respectively, among those who have thought little if at all about decumulating their savings. However, even among those who have thought about it a lot, 37% are somewhat confident about making the best choice and 9% not confident, likely reflecting the difficulty this issue poses.

## Figure 10. Converting savings to income

**Only 20% of retirement savers are very confident that they will choose the best way to draw income from their savings.**




Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

Confidence in this realm tends to be lowest among staff–24% are not too or not at all confident. Faculty are the most likely to be very confident (26%). The percentage who are not too or not at all confident does not vary across age groups, but those under age 50 are more likely than their older peers to be very confident (23% and 14%, respectively).

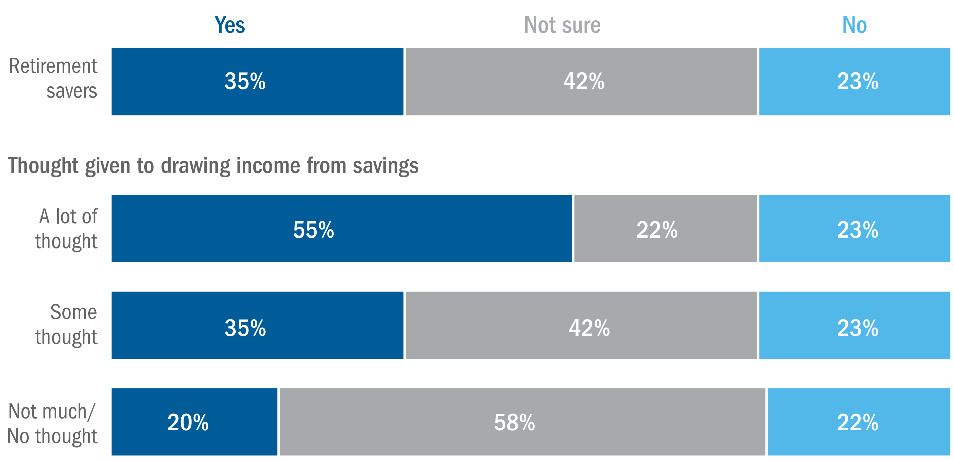
## Annuitization

Annuitization is the one means to convert savings into a stream of income guaranteed to last for the remainder of an individual's life (and that of a spouse or partner, as well). One-third of retirement savers in higher education expect to convert some of their retirement savings into a payout annuity to provide income during retirement; one-quarter expect to not annuitize, and approximately 40% are unsure (Figure 11). There is a clear relationship between consideration given to drawing retirement income from retirement savings and intent to annuitize–55% who have thought about it a lot expect to annuitize compared to 35% who have thought about it some and 20% who have thought little if at all about it. However, the percentage that do not expect to annuitize remains constant at 22%-23%.

### Figure 11. Converting savings to income

**One-third of retirement savers expect to annuitize some of their retirement savings; one-quarter do not.**

Do you think you will convert some of your retirement savings into a payout annuity to provide income during retirement?

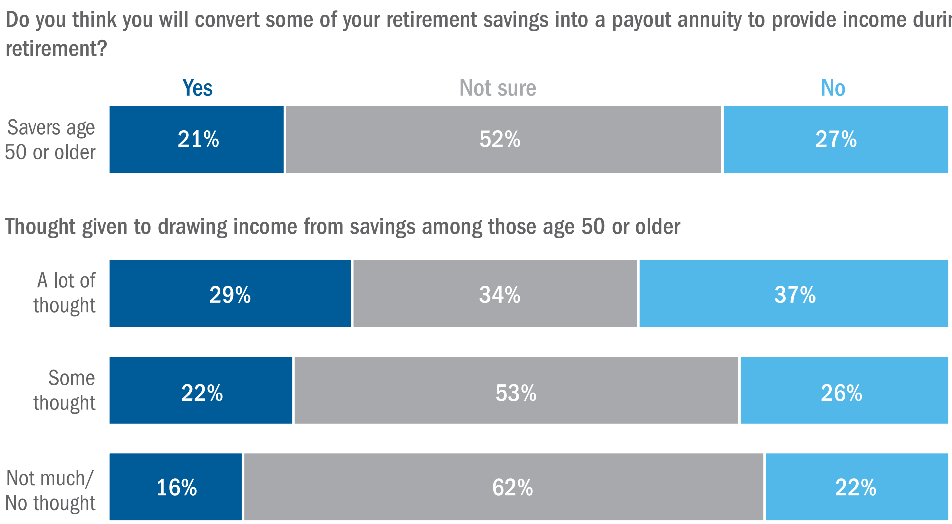



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

The difference by age in annuitization expectations is dramatic and somewhat surprising—while 46% of retirement savers under the age of 50 think that they will annuitize some of their savings in retirement, only 21% of those age 50 or older expect to do so. In fact, among retirement savers age 50 or older, a greater share expect to not annuitize than expect to annuitize irrespective of how much they have thought about the issue (Figure 12). Among those age 50 or older, the percentage who expect to annuitize increases from 16% among those who thought little if at all about managing retirement savings for retirement income to 29% among those who have thought about it a lot. At the same time, the percentage who expect to not annuitize likewise increases from 22% to 37%.

## Figure 12. Converting savings to income

**Retirement savers age 50 or older are less likely to expect to annuitize.**

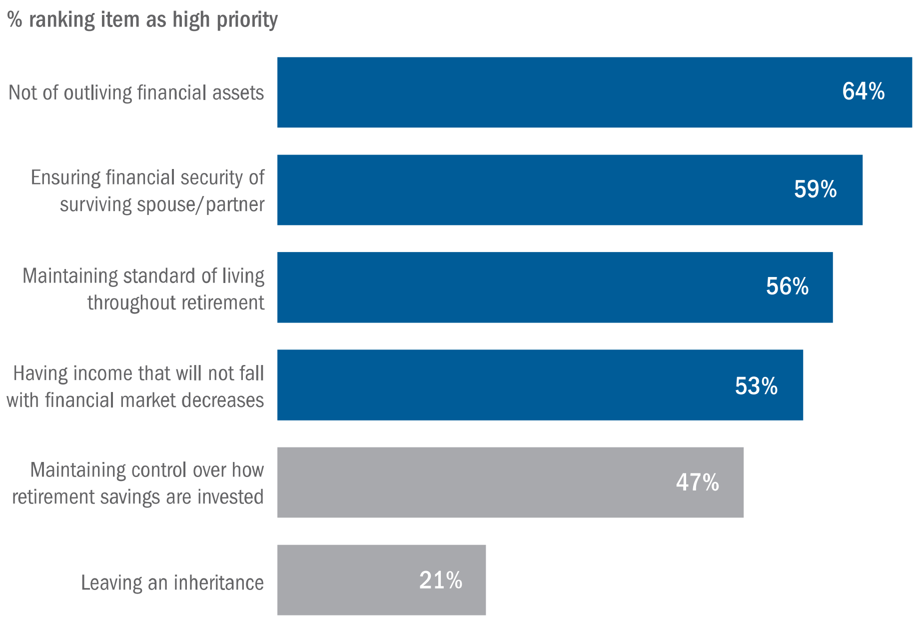



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

Lack of intent to annuitize, or uncertainty about doing so, reveals a disconnect among retirement savers given that annuitization addresses their top priorities for managing personal finances during retirement (Figure 13). Sixty-four percent of retirement savers in higher education rated “not outliving financial assets” as a high financial priority for their retirement; this is exactly the outcome that annuitization insures against. Likewise, the next three highest priorities—ensuring the financial security of a surviving spouse, maintaining one’s standard of living, and having income that will not fall with financial market decreases—can all be addressed through annuitization.

## Figure 13. Financial priorities in retirement

**Annuitization addresses savers’ top priorities for managing their personal finances during retirement.**



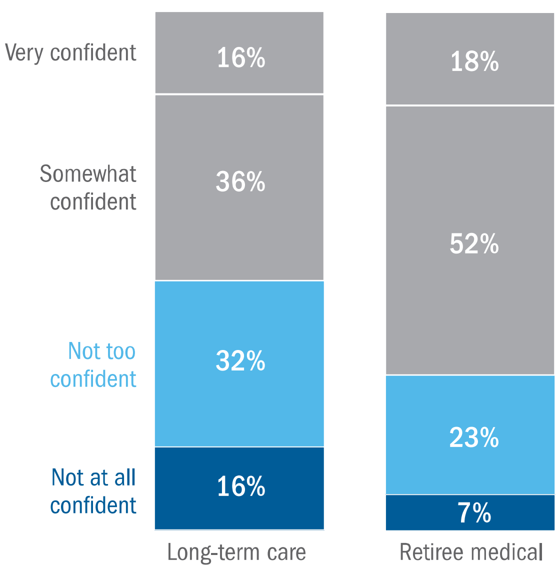

Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

## Retiree medical and long-term care

Concern about covering out-of-pocket medical expenses during retirement, as well as concern over the expense of long-term care if needed, weighs on college and university employees. The potential magnitude of such expenses and inherent uncertainty regarding future health status likely underlie these concerns. Thirty percent of the higher education workforce are not too or not at all confident that they will have enough money to take care of out-of-pocket medical expenses, such as premiums, co-payments and deductibles, during retirement; 47% are not confident about their ability to pay for long-term care if needed (Figure 14).

### Figure 14. Retiree medical and long-term care

**Many lack confidence about having enough money for medical expenses during retirement and for long-term care if needed.**




Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

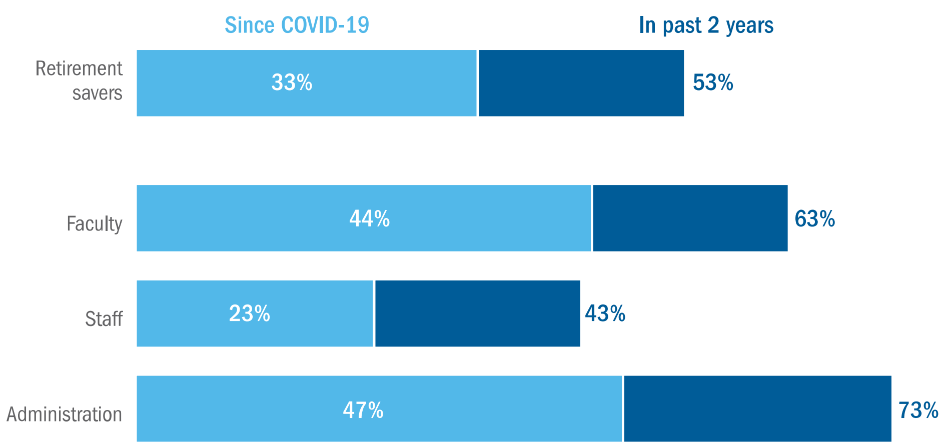
A lack of confidence regarding medical expenses in retirement is most common among staff, 35% of whom are not too or not at all confident in this regard. Similarly, a lack of confidence about one's ability to pay for long-term care if needed is most common among staff, as well–56% are not confident in this regard. Older higher education employees are more likely than their younger peers to lack confidence about their ability to afford potential long-term care expenses; 58% of those age 50 or older are not confident compared with 40% of those under 50. There is not an analogous confidence difference regarding retiree medical expenses.

## Retirement planning advice

Over one-half of retirement savers in higher education have received retirement planning advice from a professional financial advisor or advisory service within the past two years; one-third have received such advice since the onset of COVID-19 (Figure 15). Many retirement savers who have not received retirement planning advice within the past two years are interested in doing so—12% are very interested and 47% are somewhat interested. Staff are least likely to have received advice within the past two years; 43% have done so. With that said, 58% of staff who have not received advice are at least somewhat interested in doing so.

### Figure 15. Advice

**Over one-half of retirement savers have received retirement planning and saving advice within the past 2 years.**

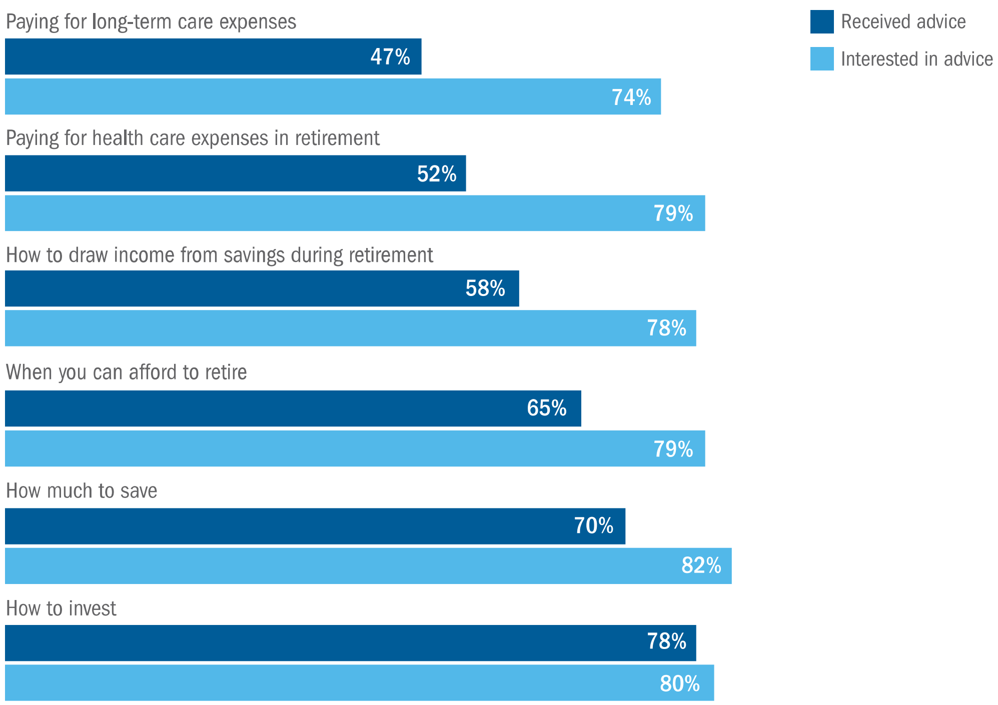



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

Topics previously identified as particular concerns among the higher education workforcehow to draw income from savings during retirement, covering healthcare expenses in retirement and covering long-term care expenses–are topics on which advice is least likely to have been received (Figure 16). At the same time, there is significant interest in advice on these topics, specifically, among those interested in advice who have not received it. For example, while 58% of advisees have received advice on drawing income from savings, 78% of those interested in advice are interested in this topic—a difference of 20 percentage points. The analogous differences for covering healthcare expenses in retirement and covering long-term care expenses are 27 percentage points each.

## Figure 16. Advice

**High interest in topics not typically covered by advice.**




Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

## Discussion

The COVID-19 pandemic and its economic consequences have impacted retirement saving and investing among many full-time college and university employees. One-third of retirement savers in higher education have changed both the amount they are saving and the investment of their savings since the onset of COVID-19. An additional 25% have changed one or the other.

Despite these changes, or maybe in part because of them, 22% of full-time higher education employees have become less confident that they will have enough money to live comfortably throughout retirement, while 9% have become more confident. Among those currently saving for retirement, 20% have become less confident that they are saving an adequate amount, while 7% are more confident. Seventeen percent of retirement savers have become less confident that their savings is invested appropriately; 8% more confident. On net, 11% of those currently saving have become less confident about both the amount they are saving and the investment of their savings; 4% have become more confident about both.

Other issues related to retirement readiness concern many college and university employees, as well. There is limited confidence among retirement savers that they will choose the best way to draw income from their savings during retirement; while 20% are very confident that they will do so, an essentially identical 21% are not too or not at all confident. Only 35% expect to annuitize some of their savings even though annuitization addresses the top priorities cited by savers for managing personal finances during retirement.

Concerns about covering out-of-pocket medical expenses during retirement, as well as the expense of long-term care if needed, weigh on college and university employees. Thirty percent of the higher education workforce are not too or not at all confident that they will have enough money to take care of out-of-pocket medical expenses, such as premiums, co-payments and deductibles, during retirement; 47% are not confident about their ability to pay for long-term care if needed.

Providing professional advice on saving, investing and planning for retirement is one means to assist individuals in an uncertain and volatile economic climate. Over one-half of retirement savers in higher education have received retirement planning advice from a professional financial advisor or advisory service within the past two years; one-third have received such advice since the onset of COVID-19. Thirty-six percent of those who received advice within the past two years and 43% of those receiving advice since the onset of COVID-19 are very confident about having enough money for a comfortable retirement. By comparison, only 15% of those who have not received advice within the past two years are very confident.

## About the authors

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