



## NEWS RELEASE

### T. ROWE PRICE FINDS RETIREES REDUCE SPENDING AS THEY AGE

*Retirees tend to be flexible about their spending, with asset preservation driving their behavior*

BALTIMORE, March 16, 2021 – T. Rowe Price, a global investment management firm and a leader in retirement, has published a [white paper](#) analyzing retiree spending habits, and found that retiree spending declines annually by 2%. This finding is significant because conventional retirement income planning assumes that retirees want to maintain a certain standard of living or a certain level of spending. However, the data suggests that retirees tend to adjust their spending to match their income so that they can avoid drawing down their assets. In particular, the analysis reveals that retirees choose to adjust their nondiscretionary spending (e.g., food and shelter) to match their guaranteed income (e.g. Social Security income, pensions), challenging the conventional notion that these expenses are truly fixed.

T. Rowe Price’s research suggests:

- Retirees set their spending to match their income to preserve their assets. Thus, understanding personal preferences between asset preservation and lifestyle or spending preservation is critical to aligning retirement income solutions.
- The personal nature of spending in retirement makes one-size-fits-all solutions elusive. Households in the top 20% net-worth have greater discretion to adjust their spending to match their income than households in the bottom 20% net-worth. Thus, contrary to conventional wisdom, less wealthy households might benefit more from additional guaranteed income.
- If employers want to implement post-retirement solutions as part of their 401(k) plan, they should consider offering a variety of retirement income solutions (e.g., managed payout funds, managed accounts, dynamic qualified default investment alternatives, annuities) that would be attractive to their workforce. To manage fiduciary risk, they should also consider offering investment advice to help their workers make informed choices about their retirement income needs. Emphasis should be put on products and services that are consistent with observed retiree behavior.
- Spending needs in retirement are complex and evolve throughout retirement. Many retirees would benefit from ongoing assistance of financial professionals to consider the tradeoffs between their personal preferences and financial flexibility when formulating their financial plans and adjust accordingly as changing circumstances require.

“Understanding how retirees spend is crucial to aligning retirement income solutions,” said Sudipto Banerjee, vice president, Retirement Thought Leadership at T. Rowe Price. “Plan sponsors and financial professionals need to understand the motivations behind retiree spending in order to provide optimal retirement income solutions.”



T. Rowe Price used data from the Health and Retirement Study (HRS) and its supplement Consumption and Activities Mail Survey (CAMS), produced and distributed by the University of Michigan. T. Rowe Price specifically used data from the original CAMS cohort first interviewed in 2001, following the same group of retirees from 2001-2015. T. Rowe Price's final analysis sample consisted of 1,470 households. All spending and income numbers were inflation adjusted using the consumer price index and presented in 2019 dollars.

#### **ABOUT T. ROWE PRICE**

Founded in 1937, T. Rowe Price (NASDAQ-GS: TROW) is an independent global asset management company with \$1.50 trillion in assets under management as of February 28, 2021. The firm is focused on delivering investment excellence and retirement services for institutional, intermediary, and individual investors. Our strategic investing approach, driven by independent thinking and guided by rigorous research, helps clients feel confident in pursuing financial goals. For more information, visit [troweprice.com](https://www.troweprice.com), [Twitter](#), [YouTube](#), [LinkedIn](#), [Instagram](#), or [Facebook](#).

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