Retirement readiness in the healthcare sector

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Executive summary

Ninety-one percent of full-time employees in hospitals and healthcare systems are saving for retirement, with 67% saving through an employment-based plan. However, 34% of retirement savers aren't confident they're saving an adequate amount, and 24% aren't confident their savings is invested appropriately. On net, 28% of savers aren't confident they'll have enough money to live comfortably throughout retirement.

FACTORS AFFECTING RETIREMENT READINESS

- Debt
- Retirement plan leakage
- Retirement planning advice

Debt holds back retirement readiness.

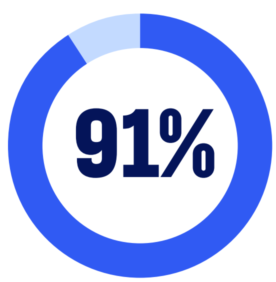
- 85% of retirement savers in the healthcare sector carry debt.
- 45% report saving less than they would otherwise like because of debt payments.
- Student loan debt has a disproportionate effect—among the 23% of savers with student loan debt, 70% report saving less because of debt payments.
- Those with debt more often tap their savings prior to retirement via loans and hardship withdrawals, a dynamic that' s amplified with student loan debt.

Retirement income security involves appropriate decumulation of retirement savings.

- 58% of retirement savers in the healthcare sector are likely to use an annuity to provide retirement income.
- Paradoxically, among those likely to not annuitize, 67% rated "not outliving financial assets" as a high financial priority for retirement, exactly the outcome that annuitization insures against.
- Likewise, annuitization can address the next three highest priorities—maintaining one's standard of living, ensuring the financial security of a surviving spouse or partner, and having income that will not fall with financial market decreases.

Retirement planning advice matters for retirement readiness.

- 51% of retirement savers in the healthcare sector have received professional advice on planning and saving for retirement within the past two years.
- Only 19% of advice recipients aren't confident about having enough money to live comfortably throughout retirement, compared with 38% of savers who haven't received advice.
- Among those who reported following all the advice they received, only 11% aren't confident in their retirement income prospects.



of full-time employees in the healthcare sector are saving for retirement

Introduction

This report leverages the *TIAA Institute Healthcare Workforce Survey* to examine retirement readiness among full-time employees—registered nurses (RNs), physicians and surgeons, other medical professionals, office and administrative staff, and nonmedical professionals—in hospitals, healthcare systems, and medical practices that are part of a system.[1] A previous report used the same survey data to analyze recruitment and retention issues in the healthcare sector.[2]

Retirement income security depends upon a series of decisions and actions over time—most fundamentally, the amount being saved, the investment allocation of savings, and then how to manage savings for income during retirement. Each of these is examined in turn from the perspective of healthcare employees. In this context, the impact of debt, including student loan debt, on retirement savings receives particular attention in the analysis. In addition, the use of retirement planning advice and the impact of advice on various indicators of retirement readiness are also points of focus in the analysis.

1 1,516 individuals employed full-time across five occupation groups in hospitals, healthcare systems and medical practices that are part of a system were surveyed online from October 6 to October 20, 2023. They included RNs (404), physicians and surgeons (300), other medical professionals (301), office and administrative staff (307), and nonmedical professionals (204). "Nonmedical professionals" refers to those in management, community and social service, business and financial operations, and computer operations. The sample was acquired through Dynata, an online panel provider. Responses were weighted based on data from *Occupational Employment and Wage Statistics* (May 2022), U.S. Bureau of Labor Statistics.

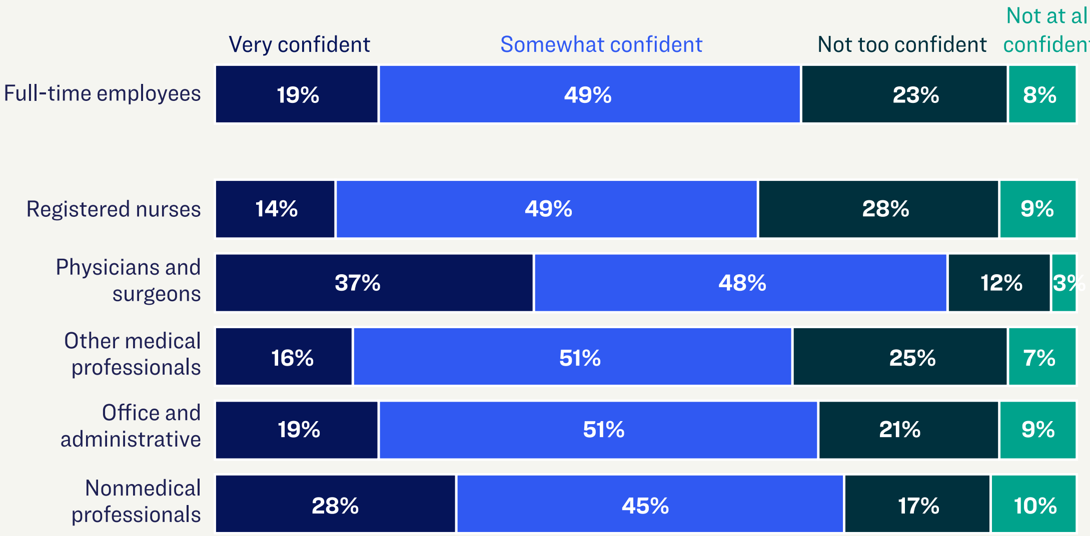
2 See *Toward an Employee Value Proposition (EVP) in the Healthcare Sector* (TIAA Institute, April 2024).

Retirement readiness

Among full-time healthcare employees, 19% are very confident they'll have enough money to live comfortably throughout retirement while 49% are somewhat confident. The remaining 31% indicate they're not too confident or not at all confident in this regard (Figure 1).[3] Retirement income confidence is particularly low among RNs—only 14% are very confident in their retirement income prospects, while 38% are not confident.

FIGURE 1. RETIREMENT INCOME CONFIDENCE AMONG HEALTHCARE EMPLOYEES

How confident are you that you will have enough money to live comfortably throughout your retirement years?



Source: *TIAA Institute Healthcare Workforce Survey* (2023).

Retirement readiness is multifaceted. Beyond saving and investing for retirement, it involves planning for the conversion of savings to income during retirement, as well as preparing for retiree medical expenses and potential long-term care costs in addition to the expenses of day-to-day living.

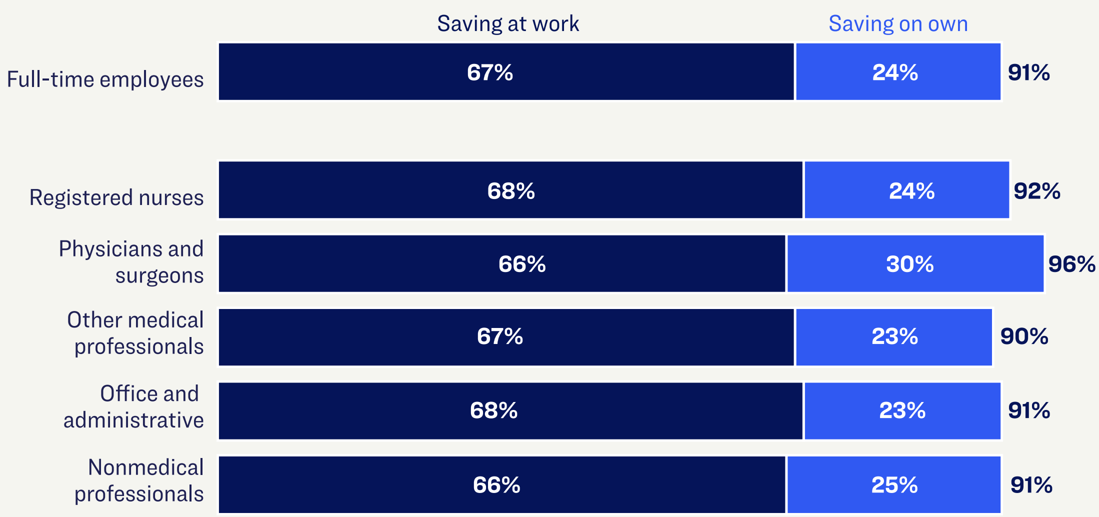
The vast majority of full-time healthcare employees (91%) are currently saving for retirement (Figure 2). Two-thirds (67%) are saving through an employment-based retirement savings plan, such as a 457, 403(b), 401(a) or 401(k) plan, and an additional 24% are saving on their own.[4]

3 By comparison, in 2023 18% of U.S. workers were very confident in their retirement income prospects, and 46% were somewhat confident. Source: Employee Benefit Research Institute and Greenwald Research, 2023 Retirement Confidence Survey, *EBRI Chartbook* (Employee Benefit Research Institute, April 27, 2023).

4 Almost all healthcare employees (93%) participate in an employment-based retirement plan—41% are in a defined benefit pension plan and 67% are in a defined contribution plan, with 16% in both.

FIGURE 2. RETIREMENT SAVING AMONG HEALTHCARE EMPLOYEES

Participating in a retirement savings plan at work or saving on own

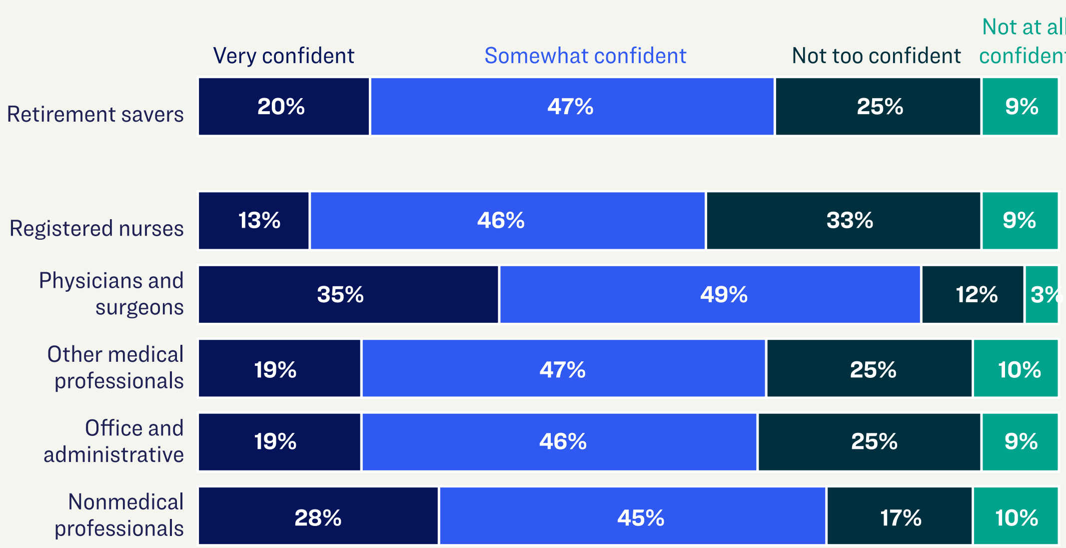


Source: *TIAA Institute Healthcare Workforce Survey* (2023).

One-third (34%) of retirement savers in the healthcare sector are not confident they're saving an adequate amount, while 20% are very confident they are doing so (Figure 3). Saving confidence tends to be particularly low among RNs—42% are not confident in this regard while only 13% are very confident.

FIGURE 3. RETIREMENT SAVING CONFIDENCE

How confident are you that you are saving an adequate amount for retirement?

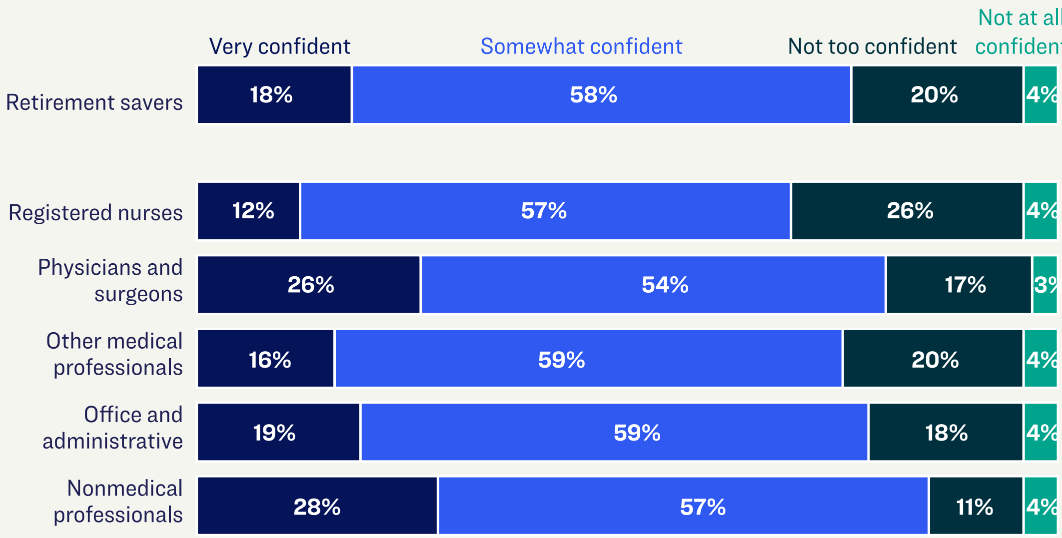


Source: *TIAA Institute Healthcare Workforce Survey* (2023).

Retirement investment confidence levels tend to be somewhat better compared to saving confidence. Most retirement savers (76%) are very (18%) or somewhat (58%) confident that their savings is invested appropriately, while 24% aren't confident (Figure 4). As with saving confidence, investment confidence tends to be lowest among RNs—30% aren't confident their savings is invested appropriately while only 12% are very confident.

FIGURE 4. RETIREMENT INVESTMENT CONFIDENCE

How confident are you that your retirement savings is invested appropriately?



Source: *TIAA Institute Healthcare Workforce Survey* (2023).

Debt and retirement savings

Most healthcare employees (86%) carry some form of debt, including 24% with outstanding student loans. Among those with debt, 59% report being debt constrained, i.e., debt payments prevent adequately addressing other financial priorities, with 15% significantly constrained. Debt constraint is amplified among those with outstanding student loans—80% are debt constrained, 26% significantly so.[5] In fact, 55% of those with student loan debt are concerned about their ability to pay it off.[6]

Not surprisingly, debt manifests itself in the realm of retirement saving. Among retirement savers in the healthcare sector, 38% are saving less than they would like because of debt (Figure 5). More specifically, 85% of retirement savers are carrying debt and 45% report saving less than they would otherwise like because of debt payments. In addition, student loan debt has a disproportionate effect: 23% of retirement savers have student loan debt, and 70% report saving less because of debt payments.[7]

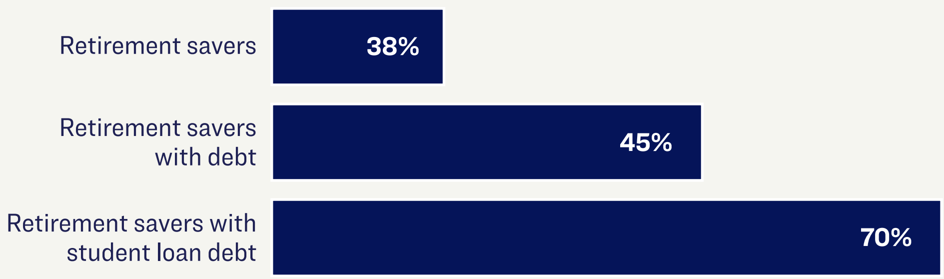
5 Half (51%) of those with debt, but no student loans, are debt constrained with 11% significantly constrained.

6 Debt is least common among physicians and surgeons—75% carry debt and 15% have outstanding student loans. Among those with debt, they are also least likely to be debt constrained (44%). By comparison, 89% of RNs carry debt and 26% have student loan debt; 62% of RNs with debt are debt constrained.

7 Among retirement savers with debt, but no student loans, 35% report saving less than they would otherwise like because of debt payments..

FIGURE 5. IMPACT OF DEBT ON RETIREMENT SAVING

Saving less for retirement than would otherwise like because of debt and debt payments

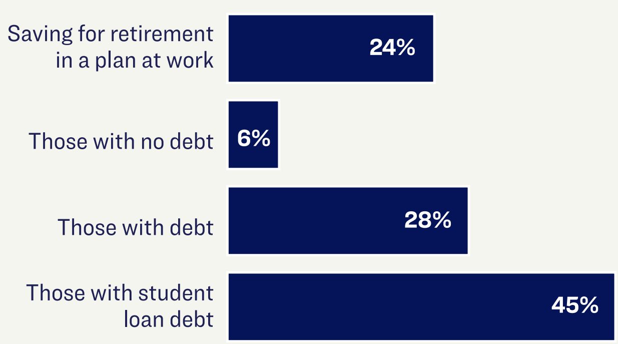


Source: *TIAA Institute Healthcare Workforce Survey* (2023).

Furthermore, retirement savers with debt are more likely to tap into their savings prior to retirement. More specifically, 85% of those saving through an employment-based retirement plan carry debt, and 28% of those with debt have taken a loan or hardship withdrawal from a plan at work (Figure 6).[8] By comparison, only 6% of those with no debt have taken a loan or withdrawal. This dynamic is again amplified among those with student loan debt—45% have taken a loan or withdrawal from an employment-based retirement savings plan.

FIGURE 6. IMPACT OF DEBT ON RETIREMENT PLAN LEAKAGE

Have taken a loan or hardship withdrawal from a retirement savings plan at work



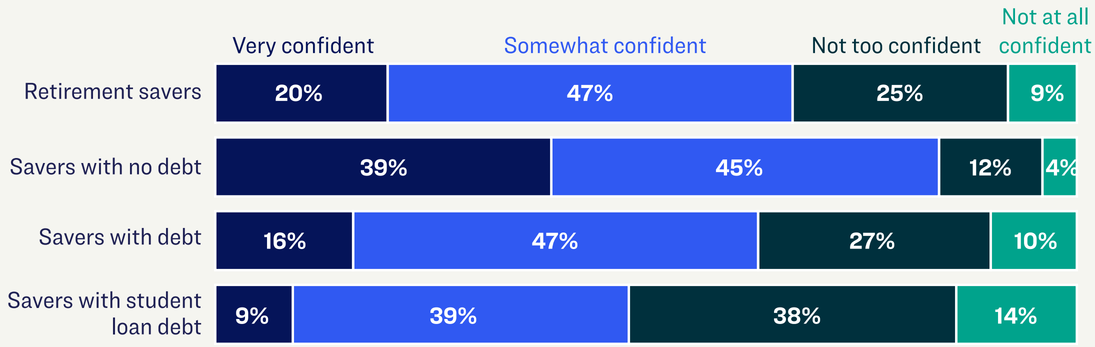
Source: *TIAA Institute Healthcare Workforce Survey* (2023).

It follows that debt translates into lower retirement saving confidence and lower retirement income confidence, and the impact is greater with student loan debt (Figures 7 and 8). More than one-third (39%) of retirement savers with no debt are very confident they're saving an adequate amount, and 41% are very confident they'll have enough money to live comfortably throughout retirement. The analogous figures among savers with debt are 16% and 17%, respectively. They are lower still among retirement savers with student loan debt—9% and 14%, respectively.

8 Around one-quarter (26%) have taken a retirement plan loan, and 12% have taken a hardship withdrawal, with 10% doing both.

FIGURE 7. DEBT AND RETIREMENT SAVING CONFIDENCE

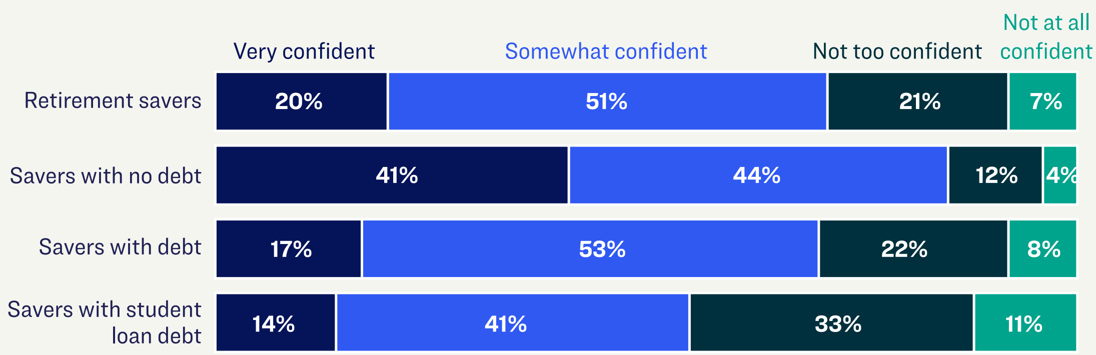
How confident are you that you are saving an adequate amount for retirement?



Source: *TIAA Institute Healthcare Workforce Survey* (2023).

FIGURE 8. DEBT AND RETIREMENT INCOME CONFIDENCE

How confident are you that you will have enough money to live comfortably throughout your retirement years?



Source: *TIAA Institute Healthcare Workforce Survey* (2023).

Retirement savings decumulation

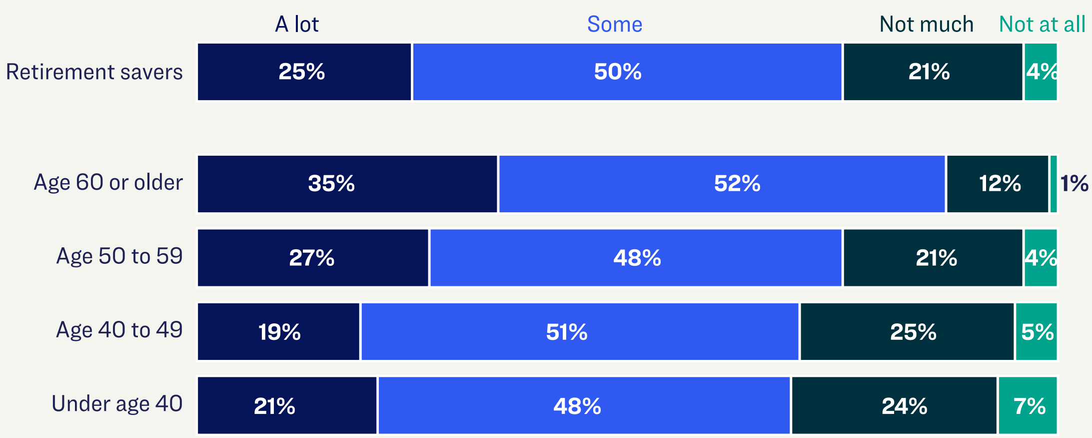
Realizing an adequate and secure income throughout retirement involves appropriate decumulation of retirement savings. This is intrinsically difficult because certain factors are uncertain, particularly lifespan in retirement. Other TIAA Institute research has found that 56% of U.S. adults either don't know or underestimate how long a 65-year-old will live on average.[9]

Decumulation decision-making is particularly important for those who won't receive payments from a defined benefit (DB) pension plan; they must draw down accumulated savings to produce income analogous in some sense to pension payments. With that said, even DB participants must decide when and how to draw from retirement savings.

Few retirement savers (25%) in the healthcare sector have given a lot of consideration to how they will manage their savings in retirement and draw income from it (Figure 9). In fact, 25% have thought about it little, if at all. This is true even among those relatively close to retirement age—only 35% of those age 60 or older and 27% of those 50 to 59 have given a lot of consideration to decumulation.[10]

FIGURE 9. RETIREMENT SAVINGS DECUMULATION

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



Source: *TIAA Institute Healthcare Workforce Survey* (2023).

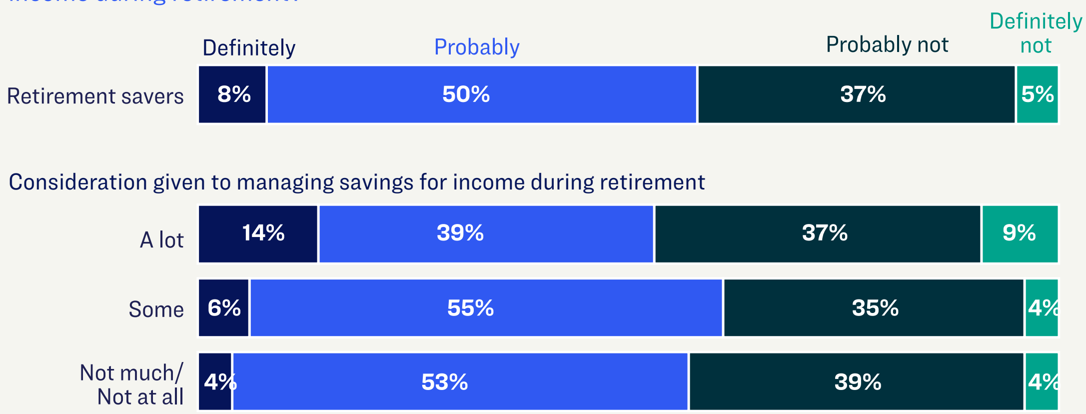
Annuitization can convert savings into an income stream guaranteed to last for the remainder of an individual's life (and that of a spouse or partner). More than half (58%) of retirement savers are likely to annuitize some of their savings in retirement, but only 8% definitely expect to do so; 42% are likely to not annuitize, but only 5% definitely expect not to (Figure 10). On net, there appears to be a large degree of uncertainty among savers, as illustrated by 87% of respondents indicating "probably" in one direction or the other.

9 See P. Yakoboski, A. Lusardi, and A. Hasler (2023). "An Unrecognized Barrer to Retirement Income Security: Poor Longevity Literacy."

10 These figures are essentially unchanged when restricting the analysis to retirement savers who aren't in a DB pension plan—33% of those age 60 or older and 27% of those age 50 to 59 have thought a lot about retirement savings decumulation.

FIGURE 10. ANNUITIZATION

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



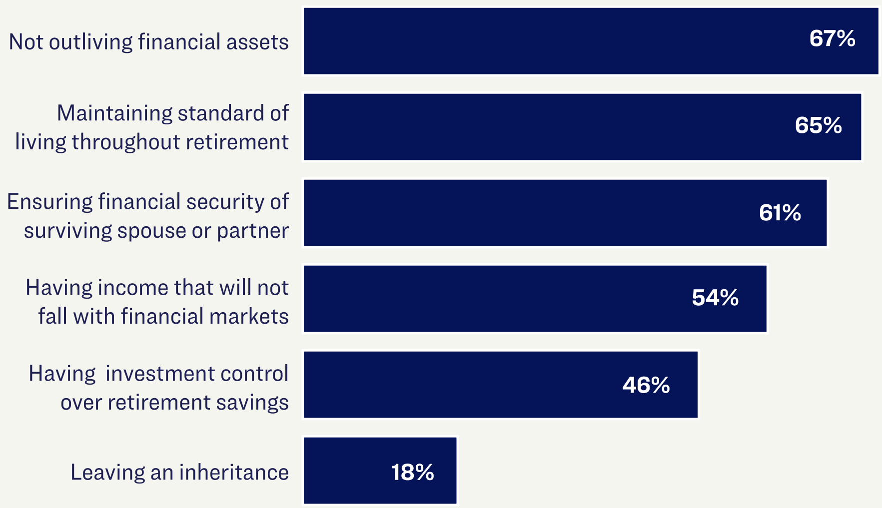
Source: *TIAA Institute Healthcare Workforce Survey* (2023).

Greater consideration of decumulation results in greater clarity for some regarding annuitization—92% of savers who have thought little if at all about decumulation respond “probably” or “probably not.” This falls to 76% among savers who have thought a lot about decumulation; the percentage who definitely expect to annuitize is 10 percentage points higher and the percentage who definitely expect to not annuitize is 5 percentage points higher (Figure 10). With that said, there is no evidence that increased consideration moves individuals from not likely to likely to annuitize or vice versa.

Reluctance to annuitize signals a retirement planning disconnect as annuitization addresses the highest priorities for managing personal finances in retirement among those likely to not annuitize (Figure 11). Two-thirds (67%) rated “not outliving financial assets” as a high financial priority for their retirement; this is exactly the outcome that annuitization insures against. Likewise, annuitization can address the next three highest priorities—maintaining one’s standard of living, ensuring the financial security of a surviving spouse or partner, and having income that won’t fall with financial market decreases.

FIGURE 11. A RETIREMENT PLANNING DISCONNECT

Rated as high priority for managing personal finances during retirement among retirement savers likely to not annuitize



Source: *TIAA Institute Healthcare Workforce Survey* (2023).

Retiree medical and long-term care expenses

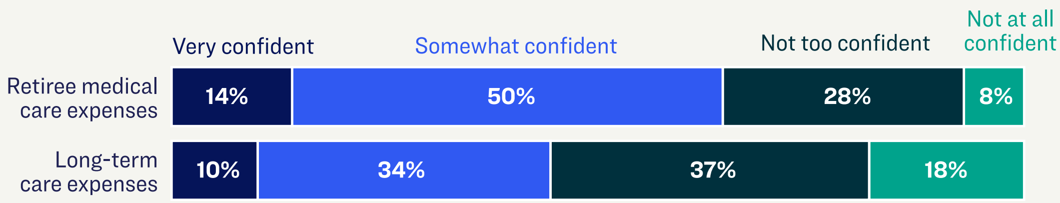
Concern about having enough money to pay out-of-pocket medical expenses during retirement, as well as concern over the expense of long-term care if needed, weigh on healthcare sector employees. The potential magnitude of such expenses and inherent uncertainty regarding future health status likely underlie these concerns.[11] Approximately one-third (36%) of healthcare employees aren't confident they'll be able to cover out-of-pocket medical expenses—such as premiums, co-payments, and deductibles—during retirement. An even larger proportion, 55%, aren't confident about their ability to pay for long-term care (Figure 12).

11 A 65-year-old man enrolled in a Medigap plan with average premiums will need $184,000 in savings to have a 90% chance of meeting healthcare spending needs in retirement, a woman will need $217,000, and a couple $351,000. Source: J. Spiegel & P. Fronstin (2024). Projected Savings Medicare Beneficiaries Need for Health Expenses Increased Again in 2023—Some Couples Could Need as Much as $413,000 in Savings. *EBRI Issue Brief*.

The national median cost of an assisted living community is $4,995 per month, and for memory care it's $6,200 per month. The median cost of in-home care is $30 per hour. Source: A Place for Mom (2024). Cost of Long-Term Care and Senior Living.

FIGURE 12. LONG-TERM CARE AND RETIREE MEDICAL EXPENSES

How confident are you that you will have enough money to take care of out-of-pocket medical expenses during retirement?
How confident are you that you will have enough money to pay for long-term care if needed?



Source: *TIAA Institute Healthcare Workforce Survey* (2023).

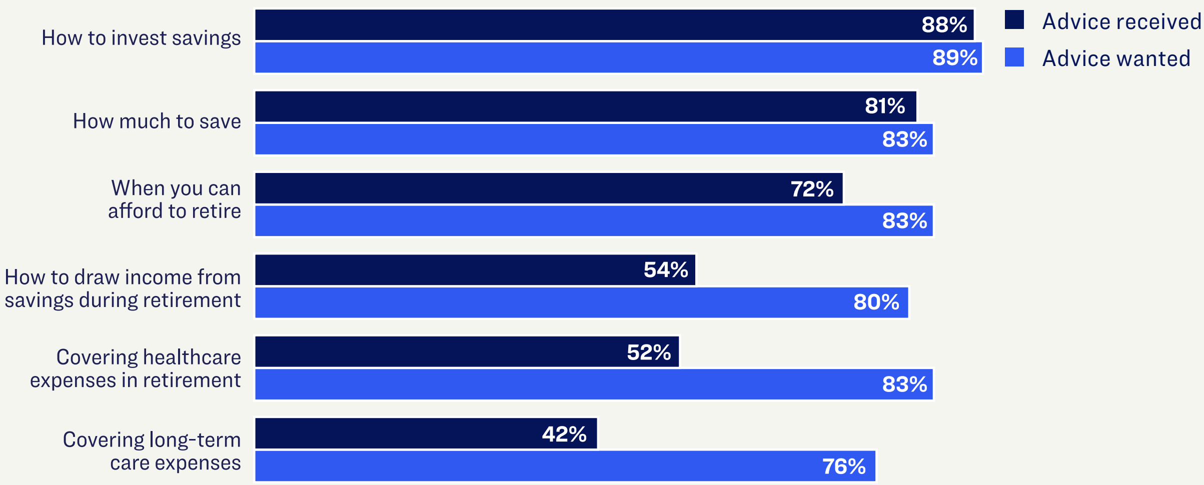
Advice

Within the past two years, 51% of retirement savers in the healthcare sector have received financial advice on planning and saving for retirement from a professional advisor or advisory service. Advice receipt is more common among older individuals—60% of savers age 60 or older have received advice, compared with 43% of those under 40. Of those who have not received advice, 13% are very interested in doing so, and an additional 55% are somewhat interested; interest is most common among those under age 50.

Topics previously identified as concerns among healthcare employees—drawing 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 13). At the same time, there is significant interest in these topics among those who have not received advice but are interested in doing so.

FIGURE 13. FINANCIAL ADVICE ON PLANNING AND SAVING FOR RETIREMENT

On which topics did you receive advice?
On which topics would you like to receive advice? [those who have not received advice]

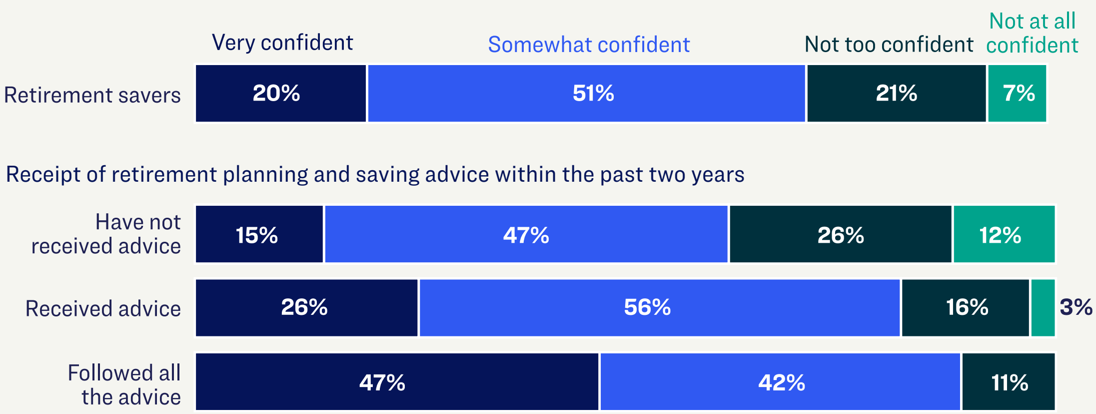


Source: *TIAA Institute Healthcare Workforce Survey* (2023).

The impact of advice is noteworthy—retirement savers who've received advice report better retirement readiness. Around one-quarter (26%) of advice recipients are very confident they'll have enough money to live comfortably throughout retirement, while 19% aren't confident (Figure 14). In comparison, the analogous figures among savers who haven't received advice are 15% and 38%, respectively. The figures are even more dramatic among those who reported following all the advice received: 47% are very confident in their retirement income prospects, while only 11% aren't confident.

FIGURE 14. IMPACT OF ADVICE

How confident are you that you will have enough money to live comfortably throughout your retirement years?

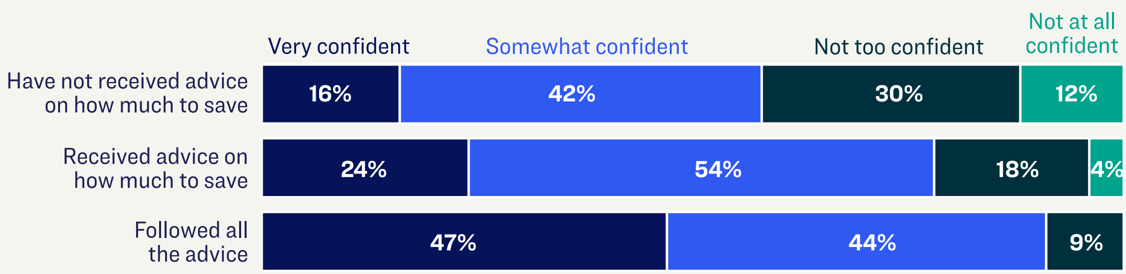


Source: *TIAA Institute Healthcare Workforce Survey* (2023).

This follows from the impact of advice on retirement saving and investment confidence. Around one-quarter (24%) of retirement savers who've received advice on how much to save are very confident they're saving an adequate amount, while 22% aren't confident (Figure 15). Among those who followed all the advice, 47% are very confident and only 9% aren't confident. By comparison, 42% of those who haven't received advice on how much to save aren't confident they're saving an adequate amount.[12]

FIGURE 15. IMPACT OF ADVICE ON SAVING CONFIDENCE

How confident are you that you are saving an adequate amount for retirement?

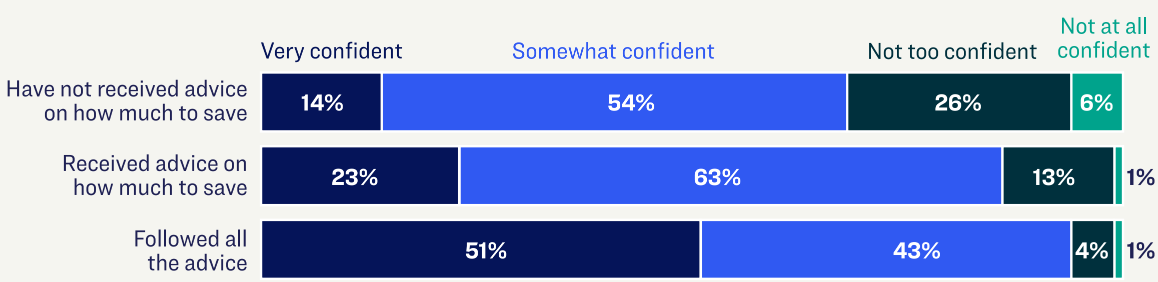


Source: *TIAA Institute Healthcare Workforce Survey* (2023).

Slightly less than one-quarter (23%) of retirement savers who have received advice on how to invest are very confident that their savings is invested appropriately, while 14% aren't confident (Figure 16). Among those who followed all the advice, 51% are very confident and only 5% are not confident. By comparison, 32% of those who haven't received retirement savings investment advice aren't confident in this regard.[13]

FIGURE 16. IMPACT OF ADVICE ON INVESTMENT CONFIDENCE

How confident are you that your retirement savings is invested appropriately?



Source: *TIAA Institute Healthcare Workforce Survey* (2023).

Finally, 61% of retirement savers who've received advice on how to draw income from savings during retirement are likely to annuitize some of their savings, with 16% definitely expecting to do so. The analogous figures among those who haven't received advice on drawing income are 57% and 5%, respectively.

12 Includes those who have received advice but not on how much to save and those who haven't received any retirement planning and saving advice.

13 Includes those who have received advice but not on how to invest and those who haven't received any retirement planning and saving advice.

Discussion

Nine out of ten full-time healthcare employees are saving for retirement. Nonetheless, retirement income security challenges exist in the sector. In fact, one-third of healthcare employees aren't confident they'll have enough money to live comfortably throughout their retirement; only about 20% are very confident.

One key issue is that one-third of retirement savers aren't confident they're saving an adequate amount. For many, this can be traced to debt they carry, particularly student loan debt. The majority (85%) of retirement savers in the healthcare sector are carrying debt, and 45% report saving less than they would otherwise like because of debt payments. Student loan debt has a disproportionate effect: 23% of retirement savers have student loan debt, and 70% report saving less because of debt payments. In addition, those with debt more often tap their retirement savings prior to retirement via loans and hardship withdrawals; again, this dynamic is amplified with student loan debt.

Realizing an adequate and secure retirement income involves appropriate decision-making along dimensions beyond just how much to save and how to invest. There is planning for decumulation and how best to convert savings to income during retirement, which is intrinsically difficult due to uncertainty regarding lifespan. Not outliving financial assets and maintaining one's standard of living throughout retirement are high priorities among retirement savers, as is ensuring the financial security of a surviving spouse or partner. There is also preparing for retiree medical expenses and potential long-term care costs.

This reality points to the need for advice and the research highlights the value of advice in terms of better retirement readiness. Within the past two years, one-half of retirement savers in the healthcare sector have received professional financial advice on planning and saving for retirement. Only 19% of advice recipients aren't confident they'll have enough money to live comfortably throughout retirement; the analogous figure is double (38%) among savers who haven't received advice. Among those who reported following all the advice received, only 11% aren't confident in their retirement income prospects. This follows from the positive effect of advice on retirement saving and investment confidence.

About the authors

Emily Watson is a senior director with the TIAA Institute, where she manages the development, implementation, and improvement of the Institute's thought leadership programs and strategic initiatives. She currently manages partnerships and research projects on topics like young adults and their financial preparedness, the relationship between mental health and financial wellness, and the financial security implications of student loan debt. Emily also co-leads the Institute's Fellows Program and the TIAA Institute Research Academy. She has a background that spans both the public and private sectors, including past positions with the Clinton Foundation and Merrill Lynch. Emily earned a BA and MPA from the University of Pennsylvania.

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