



# Messy Retirement Spending

January 04, 2022

Retirement researchers typically assume that people in retirement will do one of two things. They will either pull a steady 'income' from their retirement portfolios each year and adjust that amount for inflation to maintain the same spending power. Or they will spend a bit more in the early years of retirement, when they're more energetic, and begin to cut back in the middle retirement years, and then spend more in their last years due to healthcare issues.

The real world apparently doesn't work that way. A recent study published by the JP Morgan banking firm looked at 5 million Chase defined contribution retirement account holders and found that the amount that households were spending rose dramatically from 2016 to 2019, which were good years for the market. Retirees spent 5% to 9% less in the Covid year of 2020. The research suggests that retirees vary their spending depending on how confident they are in their ability to spend—which, of course, would be a much messier (but more real) way for researchers to model consumer behavior.

Other findings? On average, the study calculated that most retirees were spending almost as much (92%) in retirement as they were when they were earning an income, and about 54% of that was contributed by Social Security benefits. In all, between 16% and 38% of their retirement income had to come from personal savings, depending on the age of the retiree. (As people get older, they tend to take less out of their personal savings.)

The point here is that retirees are more flexible in their spending than economists and financial advisors might assume. Life happens, and none of us are as predictable as the models would indicate.

## Sources:

<https://www.thinkadvisor.com/2021/11/23/why-retirees-are-spending-more-than-they-used-to/>

<https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/retirement-insights/retirement-by-the-numbers.pdf>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:(215)325-1595) or you can [click here to schedule a meeting](#).

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