School of Management Financial Planning

The Impact of Mid-Late-Career Health Shocks on Retirement Wealth and Financial Planning

Kimberly L. Turner, Ph.D., CFP[®], ChFC[®], CLU[®], CAP[®] Chia-Li Chien, PhD, CFP[®], PMP[®]

School of Management Financial Planning

Agenda





3

Conclusion & Implications

School of Management Financial Planning



INTRODUCTION

- Retirement savings
- Risk factors
- Mid-late-career health shocks



School of Management Financial Planning



increase their outstanding debt, diminish their assets, and decrease their ability to fund an adequate retirement savings plan.

Mid-late-career health shocks often impact a household's ability to work and earn income

School of Management Financial Planning

Health Shocks Impact ...



Impacts Savings

- Health shocks and pension wealth
 (Johnson et al., 2007)
- Health shocks and wealth (Ward-Batts, 2001; Wu, 2001)



Retirement Decision

- Health shocks predict earlier retirement decisions (Conley & Thomson, 2013)
- Health shocks and income (Van Houtven and Coe, 2010)



Out of Pocket Costs



 \longrightarrow

Health shocks and outof-pocket costs (Kim et al., Lyons et al., Emanuel et al.)

NLSY79 Data

- Heckman, Seay, &
 Letkiewitz, 2017
- Carr, Sages, Fernatt, Nabeshima, and Grable, 2015
- Martin & Finke, 2014
- Cummings, 2013

School of Management Financial Planning



The Purpose of this Study

- To explore the incidence and the implications
- The impact of mid-late-career health shocks on retirement wealth.

School of Management Financial Planning



Hypothesis

- *H1*₀: With or without Health Shocks same changes in aggregated retirement balances
- *H1_A*: With Health Shocks have lower changes in aggregated retirement balances



- National Longitudinal Survey of Youth79
- Waves 2008 and 2012

- Sample size
- Non-Retired

Between 48 and 55 years of age

School of Management Financial Planning

Research Design

Model #1: Y=β0+ β2X2 + β5X5 + β3X3 + β4X4

H1: $\beta 2 < 0$ Y= $\beta 0$ + $\beta 2$ (hshock) + $\beta 3$ (inc) + $\beta 4$ (net worth) + $\beta 5$ (health ins)



School of Management Financial Planning

Descriptive Statistics

58%





- Shock
- 13% with Health Shock



Female

- 53% Female
- 47% male

School of Management Financial Planning

% Changes in Retirement Account Balance due to Health Shocks



School of Management Financial Planning

% Changes in income due to Health Shocks



School of Management Financial Planning

% Changes in Net Worth due to Health Shocks



School of Management Financial Planning

Table 2.3 Linear Regression modeling the log transformed retirement account balances 2012-2008 and health shocks, controlling for income, net worth, and health insurance

Mariahla	Parameter	Standard
variable	Estimate	Error
N=4038		
Intercept	4.050	1.032
Shocks	-1.655***	0.493
LnNW-08	-0.233***	0.065
LnInc-07	-0.253***	0.059
Health Ins	-0.369	0.709
R-Square	.0110	
Adj R-Sq	.0100	

School of Management Financial Planning



School of Management Financial Planning



IMPLICATONS

- Awareness
- Shifting the focus on the retirement accumulation phase

RESEARCH

LIMITATIONS

California

Scł

Non-Tax Sheltered

Excludes non-taxsheltered savings accounts

Health Conditions

- Specific health conditions
- Health limitation measurements are subjective

Health Costs

- Reductions /out-of-pocket healthcare costs
- Portfolio earnings

School of Management Financial Planning



Future Research



School of Management Financial Planning

Thank You!

- Kimberly L. Turner, Ph.D., CFP®
- Adjunct Faculty, California Lutheran University
- President, Retirement Planning Doctors
- kimberly@kimberlyturner.com

Chia-Li Chien, Ph.D., CFP[®], PMP[®] Assistant Professor & Director of Financial Planning Program California Lutheran University chialichien@callutheran.edu