

Climate and Retirement Planning

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April 2025

Climate In Retirement Planning

Extremes in climate can and will affect individuals in a variety of ways. This is not new, but the effects may be magnified for older persons and need to be considered in retirement planning. There is extreme weather in our northern states and Canada; and imagine summer in the southern United States without air conditioning! Yet, individuals and families have lived in both extremes for centuries. We will focus on retirees in this content, but many of the same issues will affect non-retirees, too. What may be unusual about the retirement category is the fact that, in most cases, self-insurance will be needed in addition to homeowners' or renters' insurance covering the housing aspect. Homeowner policies have exclusions for the big event items and special insurance may be needed to cover hurricanes, earthquakes, and flooding. If your roof is torn off your dwelling due to high winds or a hurricane, you may find that the water damage and flooding may not be covered. Self-insurance, along with procurement of multiple insurance policies, may be needed in the quest to fully cover your home. This can be a complex and expensive process to procure the coverage desired.

In retirement, planning, measuring, and reviewing satisfaction is categorized into the following four main sections—health, social/family, purpose, and finances¹. We surmise that climate extremes may impact three of the four sections. We do not foresee a significant change in purpose because of unpredictable weather. While much of the expected impact is finance related, you will soon understand that its effect is much broader and planning should be undertaken along with other risks in retirement covered by the Society of Actuaries' 2021 Retirement Risk Survey², which covers many risks including Climate risk. Additionally, the early years of retirement may differ from later years

¹ [Edward-Jones-4-Pillars-US-report.pdf](#)

² [2021 Retirement Risk Survey Report of Findings](#)

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in retirement where there may be less choice either due to limited finances, mobility, or the need to stay near family or friends. For more information on later years of retirement, the [Society of Actuaries Late-in-Life Decisions Guide](#) is a great source.

From the Retirement Risk Survey, the following question was asked along with the response:

Table 1

HOW LIKELY DO YOU THINK IT IS THAT CLIMATE CHANGE MAY AFFECT YOUR FUTURE RETIREMENT SECURITY?

Pre-Retirees (n=1061) Retirees (n=1168)	Very Likely	Somewhat Likely	Not too Likely	Not at all Likely
Pre- Retirees	10%	27	38	24
Retirees	7%	27	37	30

This was a new question, so we have no previous responses to know if concern of climate risk is an increasing trend or not. However, it is interesting to note that pre-retirees view this risk slightly higher than current retirees. (Totals may not equal 100% due to rounding.)

Additionally, climate change is a top five emerging risk identified in the last four years of the Society of Actuaries Research Institute's 18th Annual Survey of Emerging Risks Key Findings from January 2025. To provide more detail as we think about climate change, it may be categorized as one of many environmental risks. The following items may create a broader understanding of risks that could impact retirees related to climate and environmental considerations:

ENVIRONMENTAL RISKS³

Climate change—Change in climate patterns generates both extreme events and changes in trend, impacting infrastructure, agricultural yields, soil degradation, ocean currents, ecosystem biodiversity (e.g., insects, shellfish), and human lives. Drivers of physical and transitional risks include, but are not limited to, space weather, pollution, and release of greenhouse gases.

Loss of freshwater services—Water shortages impact agriculture, businesses, and human lives. Drivers include, but are not limited to, climate change and human influence (e.g., pollution, aquifer depletion).

Natural catastrophe: tropical storms—Hurricanes, typhoons, and cyclones lead to disruption, catastrophic economic losses, and/or high human loss of life.

Natural catastrophe: earthquakes—Strong seismic/volcanic activity leads to disruption, catastrophic economic losses, and/or high human loss of life.

Natural catastrophe: severe weather—Meteorological phenomena lead to disruption, catastrophic economic losses, and/or high human loss of life. Includes inland flooding, tornados, thunderstorms, heatwaves, drought, wildfires, high winds, snowstorms, and dust storms.

³ [Society of Actuaries Research Institute's 18th Annual Survey of Emerging Risks Key Findings from January 2025](#)

Unexpected weather will create an increased need for assistance for older individuals, especially as the older population increases as major events may cause a collapse of communication and emergency services for an affected period. Additionally, hospitals, elderly care facilities and other medical facilities may not have the ability to intake anyone due to loss of electricity, water or, in other situations, where there is the need to evacuate. Additionally, medical care may be limited as hospital employees may not be able to travel to the facility. Major events can lead to loss of life for many, especially the elderly if they are unable to leave at will and need assistance. Early planning and early evacuation may be necessary, even if the event does not end up as a catastrophe.

The population aged 65 and over increased from 35.0 million in 2000 to 55.8 million (16.8%) in 2020. This represents a growth rate of about 1,000%, almost five times that of the total population (about 200%).

In 2020, about one in six people in the United States were age 65 and over. In 2000, this proportion was less than 1 in 20. Many European countries have older populations greater than the U.S. A table showing the top ten countries, along with Canada and the United States and the percentage of population age 65 and older and the rank out of 196 countries, is shown below:

Table 2
TOP TEN COUNTRIES OR TERRITORIES WITH GREATEST POPULATION AGE 65 AND OLDER⁴

Countries or Territories	Population ages 65 and above, 2023	Global rank
<u>Monaco</u>	35.79%	1
<u>Japan</u>	30.07%	2
<u>Italy</u>	24.46%	3
<u>Finland</u>	23.62%	4
<u>Puerto Rico</u>	23.37%	5
<u>Portugal</u>	23.30%	6
<u>Greece</u>	23.15%	7
<u>Croatia</u>	22.75%	8
<u>Germany</u>	22.75%	9
<u>Bulgaria</u>	22.30%	10
<u>Canada</u>	19.36%	34
<u>United States</u>	17.43%	44

⁴ Population ages 65 and above by country, around the world | TheGlobalEconomy.com

Planning for this risk will need to be conducted and revised periodically by hospitals, nursing homes, assisted living facilities and other centers of alternative living for our older population. While some have done this, we do not know what, if any, planning has been done by families, home health caregivers, and others who may need to care for elderly relatives during severe weather. This type of planning may entail more than offering a room in a different location. Medical needs, such as prescriptions, therapy, etc., will need to be addressed during any extended stay away from their primary location.

Highlight on Asheville, NC – Tropical Storm Helene: During the 2024 tropical storm, Helene, there were many individuals who found themselves without a home, car, and all belongings in and around the Asheville, and broader Western NC, area. Even those who didn't experience such devastation experienced lack of electrical power and no running water. Yes, potable water was made available to those who could drive and wait in lines to get it after a few days. However, many volunteers were needed to assist the elderly in obtaining water. Buckets were needed to flush toilets, so those who were not strong and/or mobile suffered this unplanned problem for approximately two-and-a-half weeks, with added time depending upon location for about 5% of the population. The restoration of non-potable water was the first of the utilities to resume. Additional weeks and months passed for electricity and potable water to resume, respectively.

Highlight on California– Fires in Pacific Palisades and Altadena: Fires have been a part of life in California for years, but both locations experienced unusual and unexpected fates. Neither area was in remote, wooded locations where fires are expected to occur. These were your typical Los Angeles suburbs until the fires hit. Like many other catastrophes, some homes remained standing, but many others were lost. Most noticeably, homes that were newer or those with updated fireproofing generally had better outcomes. Of course, updating homes is an expense that will need to be added to the financial aspect of living in many areas of the United States due to higher temperatures, but especially in the West due to water restrictions.

The impact of extreme weather will not be felt equally among retirees. Location will be a large driver as well as personal circumstances. Whether you want to view these costs as an increase in emergency expenses or costs related to extreme climate events, the need to plan appropriately for retirement and the impact on retirement is real and necessary.

HEALTH

Retirees, and our population in general, are encouraged to be healthy. This may take the form of health clubs, eating nutritional foods, visiting healthcare professionals as needed, and other well-subscribed habits. The availability of options will differ greatly by location. More populated areas will tend to have more choices in workout facilities, grocery stores, and healthcare providers, but where an individual lives is truly their personal decision. Retiring in the same community, moving to a new state, downsizing, moving to a rural, or less congested, area all occur and there are pros and cons with each choice. As we experience harsh or unexpected weather, our ability to conduct our weekly goals diminishes. Hurricanes, tornadoes, snow, wind, rain, extreme temperatures, and droughts all can wreak havoc on our desire to head out the door to exercise, garden or run errands. Additionally, some retirees may not be driving as much or at all and will be home bound due to extreme weather. Note that drivers

older than age 70 have higher crash death rates per 1,000 crashes than drivers aged 35-54, primarily due to increased vulnerability to injury in a crash⁵.

Poor health has the potential to increase social isolation and feeling lonely, as will be discussed below.

SOCIAL/FAMILY

Housing decisions such as moving or staying may have a profound effect on social interaction. New environments lead to a transition period to meet others, and time is needed to establish your new day-to-day routine. Depending on the current location, there may be reasons to move due to climate-related issues. On the other hand, movement to areas may have more or different climate issues than found in their current location (e.g., Midwest tornado alley could be replaced with hurricanes or drought depending on a move to the Southeast or Southwest). The housing decision has a significant impact on all four categories used in this content. Additionally, housing is the greatest cost for Americans in retirement and this cost has risen a great deal during the last few years.⁶

“Where to live in retirement can be a lifestyle decision, a financial decision or a health care decision. Even people who can remain in their long-time homes have a lot of decisions to make.”⁷ The housing decision isn’t easy, but there is a decision guide referenced below that can help us think through options and gather information to assist with the decision process.

No matter where you move or currently live, extreme weather could affect social interaction. Severe weather may decrease the frequency of driving leading to feelings of isolation and loneliness. Mental health and, in particular, depression may be negatively affected by lack of social interaction.

As already noted, the number of older adults 65 and over is growing, and many are socially isolated and regularly feel lonely. Loneliness and social isolation are different, but related. Loneliness is the distressing feeling of being alone or separated. Social isolation is the lack of social contacts and having few people to interact with regularly. You can live alone and not feel lonely or socially isolated, and you can feel lonely while being with other people.

Loneliness in retirement is a health problem and arises more often in more rural environments. However, it can also occur anywhere and, during inclement weather, may occur more often.

PURPOSE

As noted earlier in this section, purpose in retirement isn’t impacted as much as the other three pillars. However, there may be an impact depending upon activities. If driving or transportation is needed to support activities, this may become limited as noted above. Types of involvement that don’t require physical presence may not be impacted.

As noted in the Asheville, NC event, even normal activities, such as joining Zoom calls and drafting articles such as this one, may be impacted if electricity is off for an extended period. Imagine 12 or more days without electricity and you will have the same experience as those impacted during Helene. Even texting and cell calls were not available during much of this time. Finding an internet hot spot or the hill providing cell accessibility was an important activity.

⁵ [2023 Senior Driver Facts and Statistics | Bankrate](#)

⁶ [Climate Change, Housing and Retirement Security](#)

⁷ [Society of Actuaries: Where to Live in Retirement?](#)

FINANCES

Finances is the final pillar and may be considered the largest bucket incorporating most of the issues covered in the content. The influence of extreme weather will impact finances due to:

- Increased homeowner's insurance premiums
- Increased cost of elder care
- Food, lodging and transportation cost surcharges added to normal expenditures.

There are also other areas of extreme weather that will impact finances:

- If increased costs occur during employment, retirement savings may be reduced slightly or more significantly depending upon the reduction in savings rate and usage of hardship withdrawals.
- Will the desire to work full or part time in retirement be affected by extreme weather conditions (e.g., ability to drive to work)?
- Retirement options to use a home equity line of credit (HELOC) or home equity conversion mortgage (HECM) may not be available if lending agencies decide the home location is too risky to support such a product.
- Home may not be marketable within desired timeframe or at desired price due to extreme weather impact such as nearby fires, mudslides, hurricanes, etc.

Retirement savings may start lower than expected, and retirement costs may increase more than the cost-of-living. The options to alleviate these negative impacts are to focus on saving more before retirement, recognizing that you will need to spend less in retirement, or work longer to save what is needed. However, if this has not been done, the individual will only be able to meet weather extremes with whatever resources they have at that point, whether adequate or not.

The retirement savings goal may need to be adjusted so emergency funds and extreme weather costs are built into annual spending budgets. This could be achieved by creating a load in addition to the expected cost-of-living rates or a fixed dollar expense. The amount not used during a year should not be spent but saved for when an extreme weather event occurs.

Summary

Extreme weather is likely to affect retirees even though the response to the SOA survey question mentioned earlier yielded only 37% of pre-retirees expecting an impact. Education is needed for retirement planners, actuaries, employers, and others who provide tools to aid individuals in retirement planning and budgeting. In addition, more physical help will be necessary to support the elderly during extreme weather to keep them safe and healthy.

This is a broader social need; likely one where actuaries can assist in educating others, so planning for the next extreme event will include this need. We can do better! These events are not currently planned well as you can see from an actual ad for aid in Asheville, NC in October 2024:

"We are seeking volunteers to do medical checks, wellness checks, sanitizing and bucket carriers who can carry grey water to flush toilets. Also needing pickup trucks that can carry 275 gallon water totes."⁸

⁸ [BeLoved Asheville/Flushing Brigade - Volunteers Needed for Flushing for the Elderly | Hands On Asheville-Buncombe](#)



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