



RETIREMENT LONELINESS

EXECUTIVE SUMMARY

Retirement loneliness is not only a social issue but also an economic burden that impacts healthcare costs, social care, productivity, insurance, and social welfare systems. Addressing this issue through effective policy changes can mitigate these economic costs and improve the quality of life for retirees.

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BACKGROUND

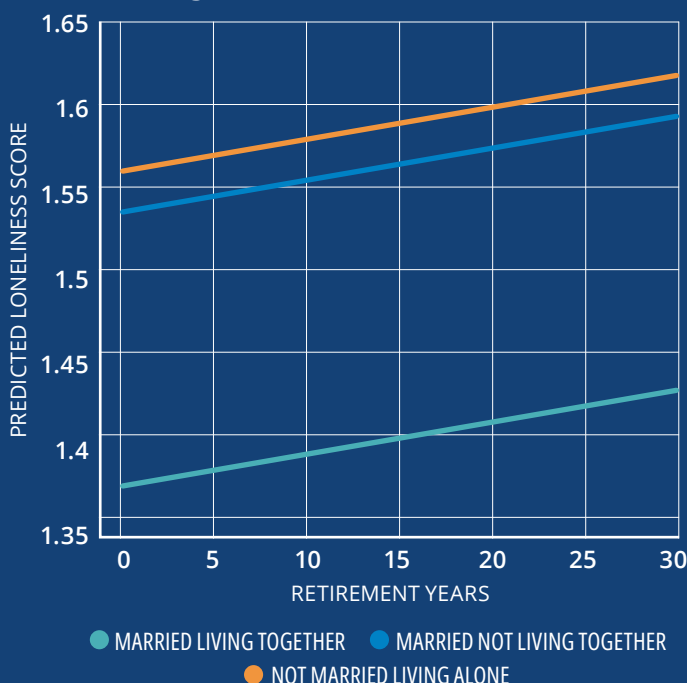
- **Scope of the Issue:** Loneliness is not a problem solely associated with older adults. In fact, past studies have found that the relationship between age and loneliness follows a U-shaped curve, with the highest levels of loneliness reported during the teenage years and later stages of life. This unique relationship means that loneliness is more prevalent among retirees, leading to significant health and financial issues.

Additionally, decreasing marriage rates among older Americans contribute significantly to loneliness. According to a report from the U.S. Census Bureau, among those aged 85 and older, 60% of men are married compared to only 17% of women. Figure 1¹ clearly shows that being single and living alone exacerbates loneliness the longer individuals remain in retirement.

- **Lack of Research:** The majority of existing loneliness research has been conducted in the UK and EU countries. As a result, the economic impact of loneliness in the U.S. is limited. Differences in the public health care system and the retirement systems are too dissimilar to draw comparative conclusions.
- **Existing Interventions to Reduce Loneliness:** Previous research has suggested various interventions to address the issue of loneliness. These include, but are not limited to:
 - Providing high-quality training to facilitators who can help older adults make use of community resources².
 - Addressing maladaptive thinking patterns³.
 - Conducting group interventions with focus groups based on participants' background characteristics⁴.

However, it is difficult to identify the effectiveness of interventions due to the challenge of

FIG 1 The Difference In Loneliness During Retirement Years



conducting randomized trials. Furthermore, without a quantified evaluation methodology, it is also difficult to determine the cost-effectiveness of these interventions. Consequently, there is a pressing need to enrich the existing body of research on loneliness, especially for the growing number of retirees.

Raising public awareness and securing policy support are essential steps in addressing the issue of loneliness. By highlighting the significant impact of loneliness and advocating for evidence-based policies, we can create a supportive environment for our aging society. This will help ensure that older adults can enjoy a happier and more fulfilling retirement life.

WHY DOES LONELINESS CAUSE PROBLEMS?

Researchers have explained the mechanism by which loneliness causes negative consequences across various areas. According to the loneliness model⁵, perceived social isolation leads to hyper-vigilance for social threats and negative cognitive biases. This, in turn, diminishes self-regulation capability and causes psychological dysfunction. Both factors contribute to adverse changes in health behaviors and bodily functions.

What has research discovered about the economics of loneliness?

1. Costs Associated with Unhealthy Lifestyle:

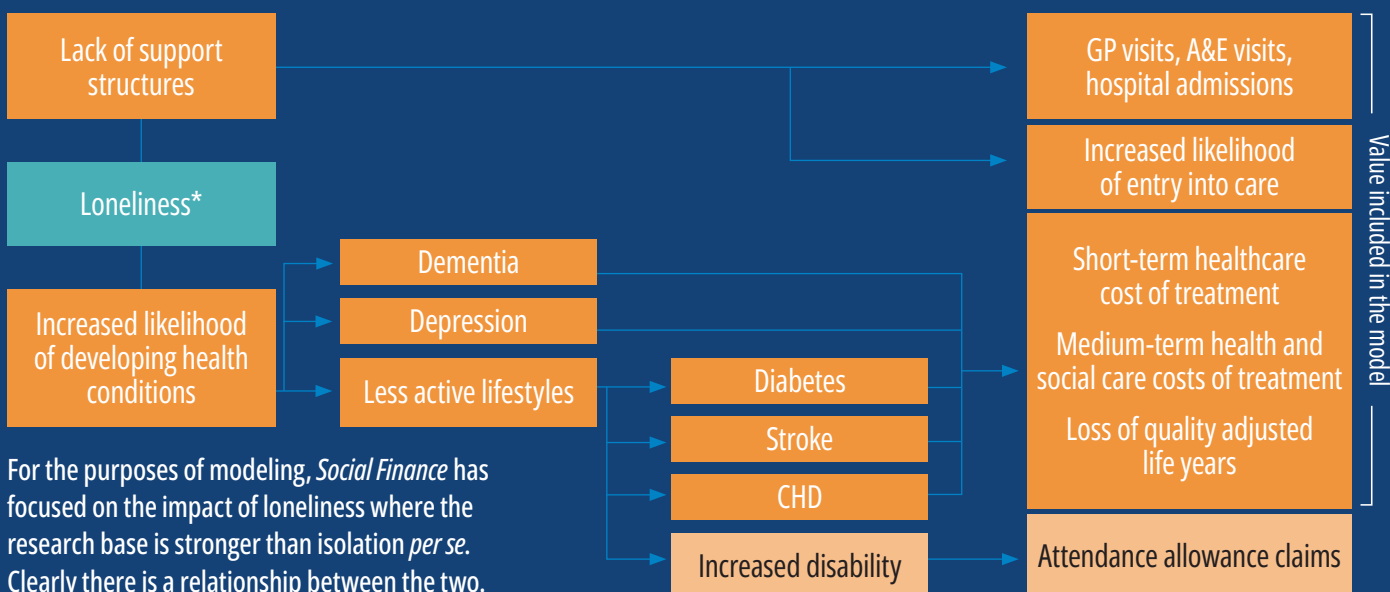
- Diminished self-regulation caused by loneliness is directly reflected in unhealthy lifestyle choices. One study found that, on average, a one-unit increase in loneliness is associated with a 10% reduction in the odds of engaging in physical activities across all intensity levels, as well as an increase of three cigarettes smoked per day. This increased smoking habit, in turn, displaces other major household expenditures, such as housing and healthcare products, while simultaneously increasing alcohol spending⁶. These changes further deteriorate the financial and physical health of older Americans.

2. Costs Associated with Increased Healthcare Utilization:

How loneliness increases health care utilization is mainly through the onset of new health problems and the need for social contact.

- Studies^{7,8} have found that loneliness and social isolation increase the risk of developing prevalent disabilities and chronic diseases.

FIG 2 The Model of How Loneliness Affects Public Service Usage¹³



In fact, individuals with multiple chronic conditions are up to 50% more likely to face out-of-pocket medical expenses. These expenses can amount to as much as 80% of their social security retirement paycheck⁹.

- Chronic loneliness seems to have had a positive and significant effect on doctor visits and many of those doctor visits are for social connection support rather than solely medical treatment.
- Social isolation increases the usage of nursing homes, with Medicare spending an estimated \$1,643 more annually on objectively isolated beneficiaries compared to those with greater social connections¹⁰. However, the same study noted that subjective feelings of loneliness create a barrier for individuals to utilize healthcare services. This reluctance to seek appropriate treatment can lead to temporary healthcare cost reductions but ultimately results in more significant long-term healthcare expenses due to untreated conditions.

3. Cost Associated with Productivity loss:

Another indirect economic cost associated with loneliness is the reduced productivity of caregivers who provide care for family members with chronic loneliness and health issues.

- In 2015, 18.2% of the U.S. adult population, or 43.5 million Americans, provided unpaid care to an adult relative, with the majority (34.2 million) of this care being delivered to individuals aged 50 or older¹¹.
- Providing care for a family member

significantly reduces job performance for employed caregivers. The average cost of lost compensation due to caregiving-related absenteeism and presenteeism was \$126.27 and \$338.00 per employee over a one-month period, respectively. This translates to annual losses of \$1,515 and \$4,056 per employee¹².

CONCLUSION

Loneliness not only affects individuals' mental and physical health but also imposes significant economic costs on healthcare systems, social care services, and overall productivity. Effective interventions and evidence-based policies can help create a supportive environment for older adults, ensuring a happier and more fulfilling retirement life.

By taking comprehensive and coordinated actions now, we can address the pervasive issue of retirement loneliness and its associated economic impacts. This approach will foster a more inclusive, supportive, and economically resilient society, benefiting individuals and communities alike. Those efforts will not only improve individual well-being but also strengthen the economic and social fabric of society, leading to a brighter and more sustainable future for all.



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SOURCES

1 Figure 1 is estimated by the author based on data from the 2006-2020 Health and Retirement Study. The results represent the marginal effects of a fixed-effects model, controlling for covariates such as activities of daily living (ADLs), depression scores, and log non-housing net worth.

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13 Figure 2: Investing to tackle loneliness: A discussion paper: https://www.socialfinance.org.uk/assets/documents/investing_to_tackle_loneliness.pdf



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