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# Moving Cleveland Above the Trend: Retirement Destinations

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# MOVING CLEVELAND ABOVE THE TREND: RETIREMENT DESTINATIONS

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A recent report conducted by the Center for Economic Development examined the structural and policy factors of economic growth in mid-sized metropolitan areas (MSAs). The Center used factor analysis as a data-reduction technique to identify five factors influencing mid-sized regional economies: 1) Innovation and Talent, 2) Entrepreneurship in High-Cost Areas, 3) New Residential Centers, 4) Retirement Destinations, and 5) Polarization. These factors also contribute to changes in regional employment, gross regional product (output), and per capita income. This brief outlines the initial analysis' primary takeaways related to New Residential Centers and explores how Northeast Ohio can incorporate successful policies and programs in other regions to propel it forward.

The Retirement Destinations factor accounts for about 8% of metro areas' success and growth. The five variables that make up this factor are senior population, share of the millennial population to total population, labor force participation rate, housing vacancy factor, and recreation facilities (Table 1). Regions that have a larger share of senior population, a lower share of Millennials compared to the total population, a lower labor force participation rate, available housing, and many recreational facilities, tend to cluster together. This factor is positively associated with per capita income but does not have significant associations with employment and GRP. Although the presence of retirees does not contribute to direct growth of employment, their spending supports personal and professional service industries, recreation, restaurants, and myriads of retail stores. For the regional growth, a healthy balance between an influx of a younger population and the retention of retirees to spend locally their saved wealth is highly desired. Retirees do influence local economies through their disposable income and spending power, making them crucial drivers of growth in the retail and services sectors. The Cleveland area may not share characteristics with traditional retirement destinations, like warm weather and sunny beaches, but is home to many other assets that could be attractive to older populations. This report will examine national and generational trends in retirement, Cleveland's retirement ecosystem, and takeaways for Northeast Ohio (NEO).

### TABLE 1: RETIREMENT DESTINATIONS FACTOR VARIABLES

| Ranking | Variable |
|---|---|
| 1 | Senior Population (+) |
| 2 | Share of Millennial Pop to Total Pop (-) |
| 3 | Labor Force Participation Rate (-) |
| 4 | Housing Vacancy Factor (+) |
| 5 | Recreation Facilities (+) |

## RETIREMENT DESTINATIONS TRENDS

For decades, the Sun Belt has been the top destination for retirement-age movers. The U.S. Department of Agriculture (USDA) designates retirement designation counties as those where the number of residents aged 60 and older grew by 15 percent or more between the 2000 and 2010 censuses due to net migration.[1] Florida and Arizona continue to dominate as retirement destinations, each with over 50% of counties designated as such by the USDA. These states have historically low tax burdens and warm weather year-round, two highly favorable conditions that attract aging populations. In 2020, however, Virginia was the most popular retirement destination, accounting for 15% of all out-of-state moves by American retirees.[2] This state can be seen as an alternative to Florida, providing beautiful beaches and relatively mild winters, but with more tax-friendliness, better access to health care, and a lower cost of living.

When planning for the future of Northeast Ohio as a retirement destination, there are two groups to consider. The first is the Baby Boomers, born between 1946 and 1964, during the post-World War II economic boom. As of 2021, the youngest Baby Boomers are in their late 50s and the oldest in their mid-70s. Baby Boomers are our current class of retirees. The second group requiring consideration is Generation X. This generation was born between 1965 and 1980 and is currently 41 to 56 years old. They are presently a "sandwich generation," balancing mid-life financial responsibilities to both their college-aged children and aging parents. This cohort is in their

[1] USDA. County Policy Types, 2015 Edition.
[2] Kupriyanov, Volodymyr. (2021, Jan. 3). 2020 Study: Where do Americans Move When They Retire?

earning prime, but the eldest of the Gen Xers will be eligible for retirement in only 10 to 15 years. Gen X is a much smaller generation compared to Baby Boomers and Millennials and has often been overlooked in media coverage and analysis. But with their imminent transformation into the dominant retiree population, it would be unwise for that trend to continue.

Recently, some Baby Boomers are bucking the long-established Sun Belt retirement trend and are choosing to move further north. Picturesque metro areas like Jackson, Wyoming and Coeur d'Alene, Idaho are attracting retiree populations due to their lower cost of living and proximity to excellent recreational activities like skiing and water sports.[3] These moves correspond to reporting on Baby Boomer retirement expectations, as this generation prioritizes maintaining an active lifestyle after they leave the workforce.

Despite these trends, multiple studies from the past decade indicate that most adults would like to age in place where they reach retirement. According to the AARP's 2018 Home and Community Preferences Survey, 77% of Americans age 50 or older would prefer to live in their current community for as long as possible, and 76% would prefer to remain in their current residence.[4] Adults living in cities report wanting to remain in their urban environment as they age, citing access to high-quality health care and a desire to live in a diverse community with "a mix of different age groups" as their top attractions to city life.[5] In addition to the common priority of high-quality health care, community features like affordable housing, proximity to family and friends, and accessible transportation are highly important among adults hoping to age in place no matter their geographic location.

The current retiree cohort, Baby Boomers, reports wanting to maintain their active lifestyles in retirement, along with a desire for customization that is at odds with the traditional retirement community mega-development model.[6] Traditional retirement communities are often megadevelopments, or large self-sustaining neighborhoods, with blocks of similarly designed and constructed housing and amenities like gyms, pools, and community centers. Baby Boomers may instead prefer to live in a location that is more integrated with the rest of the community. Of the 42% of Baby Boomer housing purchases in 2020, the most reported reason for buying a home was to be closer to friends and family; and Boomers purchased homes between 22 and 35 miles away from their previous residence, on average.[7] This idea of "aging in community" helps older citizens combat feelings of isolation which may be sparked when they leave the workforce.

## WEALTH IN RETIREMENT

Where to retire is not solely determined by lifestyle preferences but also affordability considerations. Table 2 compares wealth trends between generations using the most recent data available from U.S. Census sources. According to an analysis of Census Bureau Current Population Survey Data, Baby Boomers' average income in 2020 was $78,574 and their median income was $55,208. This generation has high homeownership rates, at an average of 76.6%. In 2018, their median savings account balance was $5,821 and their median net worth, including home equity, was $171,831. On the other hand, Generation X was faring slightly better than their parents in some areas in 2020. The average Gen X income in 2020 was $79,352 and the median was $55,945, both of which are slightly higher than Baby Boomers' incomes. However, Gen X owns fewer homes than the older generation, with a 2020 homeownership rate of 71% on average. The younger generation also had less in their savings accounts in 2018 ($3,105) and a much lower median net worth ($112,064).

### TABLE 2: CURRENT GENERATIONAL WEALTH TRENDS

| | Silent Generation (75+) | Baby Boomers (55-64) | Generation X (45-54) |
|---|---|---|---|
| Average Income 2020 | $86,240 | $78,574 | $79,352 |
| Median Income 2020 | $54,758 | $55,208 | $55,945 |
| Homeownership Rate 2020 | 79.0% | 76.6% | 71.0% |
| Median Net Worth 2018 | $222,478 | $171,831 | $112,064 |
| Median Savings 2018 | $10,673 | $5,821 | $3,105 |

U.S. Census Bureau; data in 2020$

[3] Adamy, Jane & Paul Overberg. (2018, March 22). Retirees Shape Where Americans Live.
[4] AARP Research. (2018, August). 2018 Home and Community Preferences Survey: A National Survey of Adults Age 18-Plus.
[5] Welltower Inc. 2017. Aging in Cities Survey: 2017 Report.
[6] Horch, AJ. (2020, Sept. 21). The New Retirement Living: More Baby Boomers Shun Housing Mega-developments.
[7] National Association of Realtors Research Group. (2021). Home Buyers and Sellers Generational Trends Report.

## TABLE 3. HISTORICAL GENERATIONAL WEALTH TRENDS, AGES 45-54

| | Silent Generation 1982 | Baby Boomers 2000 | Generation X 2019 |
|---|---|---|---|
| Median Income | $34,241 | $47,343 | $51,012 |
| Homeownership Rate | 77.4% | 76.5% | 70.1% |
| Median Net Worth | $56,791* | $68,198 | $115,500** |
| Median Home Sale Price | $69,300 | $169,000 | $321,500 |

U.S. Census Bureau; data in 2020$
*Data available only in 1984
**Data available only in 2018

Looking at generational wealth trends from a midlife perspective shows how median incomes and net worth have increased over time (Table 3), with Generation X earning a modestly higher median income of $51,012 at midlife compared to Baby Boomers ($47,343) and the Silent Generation ($32,241). However, much of this income increase is accounted for by women's increasing participation and success in the workforce. As median incomes for middle-aged men in 1982, 2000, and 2019 have remained relatively the same, middle-aged women's incomes increased from $19,000 in 1982 to $41,000 in 2019.[8] The largest wealth differences between the generations are in median net worth and median home sale price, with the median Gen X home selling for almost double that of their parents' in their late 40s and early 50s. Since home equity is included in net worth, these two measures of wealth reveal the importance of homeownership in wealth creation. Interestingly, homeownership rates at midlife have decreased over the generations, with more Generation X adults living as renters than ever before.

In line with their relative fiscal security, Baby Boomers feel confident in their ability to retire comfortably. They are more likely than younger generations to have personally saved for their retirement years and to have fewer problems with debt that could inhibit their ability to save.[9]

Generation X consistently expresses feelings of economic precarity despite outpacing their parents in terms of income and housing worth at midlife. According to a 2019 Retirement Confidence Survey conducted by the Employee Benefit Research Institute, Gen X workers are the least likely of all generations to be confident in their ability to retire comfortably and  afford the same lifestyle in retirement.[10] Other Gen X retirement expectations surveys report that almost half (47%) of this cohort expects to work part-time during retirement[11] and that there has been more decline in retirement. There has been an even more decline in retirement confidence due to the coronavirus pandemic.[12]

## CLEVELAND'S CURRENT RETIREMENT ECOSYSTEM

A comparative examination of Cleveland's current retirement-age population to other geographies (Table 4) reveals the urgency and opportunity of establishing itself as a retirement destination to keep our own retirees from leaving and spending their savings elsewhere. As of 2019, 19% of the population in the Cleveland-Elyria MSA was over 65 years old. This share is higher than the number of potential retirees nationally (16.5%) and amounts to about 389,205 people.[13] Conversely, the percentages of Millennials (19%) and

## TABLE 4. POPULATION BY AGE GROUP 2019

| | Total Pop | Percent Pop 65+ | Percent Pop 25-39 | Percent Pop 18-24 |
|---|---|---|---|---|
| U.S. | 328,239,523 | 16.5 | 20.5 | 9.3 |
| Ohio | 11,689,100 | 17.5 | 19.4 | 9.1 |
| Cleveland MSA | 2,048,449 | 19.0 | 19.0 | 8.3 |
| Pittsburgh MSA | 2,317,600 | 20.5 | 19.9 | 8.2 |

U.S. Census Bureau; data in 2020$

[8] Based on U.S. Census Bureau historical income data in 2020 dollars. Males age 45 to 54 made a median income of $55,676 in 1982, $61,859 in 2000, and $61,886 in 2019.
[9] Employee Benefit Research Institute. (2019, April 30). 2019 Retirement Confidence Survey – Generation X Report.
[10] Ibid.
[11] T. Rowe Price. (2017). Preparing for Retirement: The Lost Generation Comes of Age.
[12] Transamerica Center for Retirement Studies. (2020, May). Retirement Security Amid COVID-19: The Outlook of Three Generations.

young adults ages 18 to 24 (8.3%) were lower than the rest of the country in 2019. Greater Cleveland can anticipate an increasing retirement population in the next ten years, as all Baby Boomers will be 65 or older by 2030. Having this high number of retirees, however, will not necessarily impair the region's economic growth. The Pittsburgh MSA has a higher percentage of its population over 65 years old than Cleveland, and it is an economic success. On the other hand, if the Cleveland area cannot attract or retain its youth population in the coming years, it may face challenges to its capacity to care for a rapidly aging population.

General Ohio migration patterns may reveal where recent retirees are moving. The most popular out-of-state destination for all Ohioans in 2019 was Florida.[14] The other top destinations for out-of-state moves in 2019 were Kentucky, Pennsylvania, Michigan, and Indiana. All these states border Ohio and attracted about 12,000 Ohioans each. In Ohio, only Brown, Delaware, Noble, and Warren counties are retirement destinations as defined by the USDA, those where the number of residents aged 60 and older grew by at least 15 percent between 2000 and 2010 due to net migration. None are in the Northeast Ohio region or the Cleveland MSA. The Cincinnati and Columbus MSAs, however, include retirement destination counties (Brown, Warren, and Delaware), indicating that suburban counties surrounding major Ohio cities may be attractive to retirees.

## RECOMMENDATIONS

In the coming years, the Greater Cleveland area will be facing challenges of a rapidly aging population and must take steps to retain and support these upcoming retirees, and even possibly attracting retirees to move here. Although the area may permanently lose some of the retiree population to the sunnier weather of the South, Cleveland has much to offer to older citizens in highly sought-after community assets like high-quality health care services and world-class cultural and recreational opportunities. Furthermore, low cost-of-living and affordable housing solutions will be crucial for Generation X retirees who face a retirement future more financially limited than the previous generation.

The Cleveland-Elyria MSA is already one of the most affordable large metro areas in the country. Still, it could attract more seniors through targeted policies that lower their cost of living. For seniors, costs associated with housing make up the largest expenditures in retirement income. Implementing home maintenance and modification assistance policies would allow more seniors to age at home rather than move to costly retirement communities. Decreasing reliance on automobiles through expanded access to public transportation and reducing urban sprawl would lower seniors' transportation costs. Even with these policies, Generation X retirement expectations tell us that more seniors than ever may remain in the workforce at least part-time during their retirement years. Such economic development policies like job training for seniors would help them become more competitive in the changing job market.

The COVID-19 pandemic may increase demand for multigenerational housing, due to worsened feelings of isolation in retirement-age populations after friends and family distanced themselves from the elderly to keep them safe. To combat this, many Baby Boomers moved closer to their children. Out of the 26% of Americans living in multigenerational households, 57% report beginning or continuing the arrangement because of COVID-19.[15] Besides greater connection within families, these arrangements also benefit them through shared expenses and convenient child or elder care. Investment in multigenerational homes is a smart strategy for increasing housing affordability and, therefore, aging-in-place for Generation X retirees. A movement towards new accessory dwelling unit (ADU) zoning laws is already occurring in places like Lakewood, Ohio. The city's Department of Planning and Development hopes to combat increasing housing prices that push seniors out of their homes by making it easier to build additions on homes and by permitting first-floor master bedrooms.[16]

Promoting multigenerational housing will promote the development of mixed-age neighborhoods, which evidence suggests influences longevity and higher quality of life in the elderly. These communities with larger working-age populations are more likely to have higher incomes and better access to transportation and healthcare services, the latter of which are crucial to maintaining a healthy lifestyle in old age.[17] The AARP has developed a Livability Index "to help consumers and policymakers decide whether their communities are places

[13] 2019: ACS 1-Year Estimates
[14] In 2019, 30,335 Ohioans moved to Florida, according to the U.S. Census Bureau American Community Survey.
[15] Hymowitz, Carol. (2021, April 14). Baby Boomers, Isolated During Covid, Rushed to Move Closer to their Kids.
[16] Benson, John. (2021, October 27). Lakewood Exploring Aging-in-Place Solutions for Seniors Priced out of Homes.
[17] Perry, Susan. (2020, July 10). Want to live to 100? Live in a walkable, age-diverse neighborhood, study suggests.

where residents can easily live as they get older."[18] The index measures livability according to housing, neighborhood, transportation, environment, health, engagement, and opportunity factors. Some areas with large populations of retirees score lower on the Livability Index, especially naturally occurring retirement communities (NORCs). These are neighborhoods where older adults make up a large share of the population but which were not specifically designed to meet their needs. Few NORCs score in the most livable quintile of the index, as these neighborhoods usually have a greater incidence of income inequality, fewer transportation options, and fewer mixed-use development projects.[19] As the Cleveland MSA population ages in the coming years, planners should consider encouraging the development of mixed-age neighborhoods through integration of the elderly into younger-generation communities.

It is important to emphasize that the Greater Cleveland area is already home to many assets that make the community an attractive retirement destination. The metro area is renowned for its high-quality health care ecosystem largely thanks to the #2 ranking of the Cleveland Clinic as one of America's Best Hospitals. Retirees hoping to keep the use of health care services to a minimum will find a wealth of recreational opportunities, fostered by the region's access to Lake Erie and extensive parks system. However, year-round sports and outdoor activities could be expanded to accommodate active retirees during Cleveland's colder winter months. In the meantime, Northeast Ohio's cultural amenities provide entertainment and fruitful engagement for retirees no matter the season, as citizens have access to a wealth of museums, music venues, and theatres. A few cultural gems include the world-class Cleveland Museum of Art, the Cleveland Orchestra, and the Playhouse Square theatre district. Marketing that targets elderly populations and developing ease of access to these health, recreational, and cultural assets will help position NEO as an attractive community to retire-in-place.

Cleveland has long worked to attract immigrants and other populations to the city and to stem population loss. Seeing a window of opportunity that the pandemic provided, several organizations, including Team NEO, Destination Cleveland, the Greater Cleveland Partnership, Engage! Cleveland, Global Cleveland, and others, to discuss ways to attract new residents to Cleveland. These organizations should not overlook attracting retirees to the city as well. And if the pandemic altered the dynamic of needing to live where you work, can Cleveland capture some of the outmigration from other high-cost cities, not just from younger generations, but for ones looking for a new home to spend their retirement?

[18] AARP (2018, June). AARP Livability Index.
[19] Airgood-Obrycki and Jennifer Molinsky. (2021, January 5). Naturally Occurring Retirement Communities Score Lower of Livability.

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