

# People who retire early due to back problems face long-term financial disadvantage

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Back problems are a highly prevalent health issue, and people with the condition have a significantly greater chance of retiring early from the workforce, much more so than for any other health condition. A group of Australian researchers reports that not only does early retirement limit the immediate income available to these individuals, but it also reduces their long-term financial capacity, by reducing their ability to accumulate wealth to a significant degree. Their study is published in the January issue of *Pain*.

"Relative to those who retired early due to other [health problems](#), there are more than twice as many people who have retired early due to back problems who are estimated to have no savings by the time they reach the traditional [retirement age](#) of 65," according to lead investigator Professor Deborah Schofield, PhD, Chair of [Health Economics](#) at the NHMRC Clinical Trials Centre and Sydney School of Public Health, University of Sydney, Australia. "For most of the age and sex groups analyzed, even those who reported back pain and were working full time accumulated less [wealth](#) than full-time workers who suffered no [chronic health conditions](#)."

Researchers based their study on "Health&WealthMOD," a microsimulation model designed to measure the economic impacts of ill health on Australian workers aged 45-64 years. The model uses data from the nationally representative 2003 Survey of Disability, Ageing and Careers (2003 SDAC). The authors estimated the value of retirement wealth that would be available to individuals at retirement age, and

assumed that respondents converted their private retirement accounts, cash, shares, and investment properties into cash and invested it in an income stream, such as an annuity. This income stream, plus any government pension benefit, provided a basis for comparing different living standards in retirement.

The 2003 SDAC data included 147 individuals between 45-64 years who were out of the labor force due to back problems, 168 respondents who were employed part time and had back problems, and 356 who were employed full time and had back problems.

By age 65, almost all the individuals who were employed full time with no [health condition](#) will have accumulated some wealth, but only 75% to 85% of those who are out of the labor force due to their back condition will have done so. Men aged 45-54 years who retired early due to back problems are expected to have a median value of wealth, by the time they are 65, of only \$5,038, which generates an annuity of only \$291 per annum (all dollar values are in 2009 Australian dollars). This amount is far lower than the expected median value of wealth for men in the same age group who remained in the labor force full time, with \$339,121 of wealth at retirement age, and an estimated annuity value of \$19,592. Women aged 45-54 years who retired early due to back problems are expected to have a median wealth value at age 65 of only \$20,064, whereas their counterparts who remained in the [workforce](#) full time will have \$237,496 of wealth. The corresponding annuity values for these two groups were \$1,015 and \$12,014, respectively.

"Preventing early retirement due to back problems will increase the time individuals have to amass wealth assets to finance their retirement," says Professor Schofield. "Adopting cost-effective approaches to prevention and treatment of back problems may contribute to extending the labor force participation of individuals and help prevent the costs of lower wealth assets associated with [early retirement](#) due to back problems."

**More information:** The article is "The impact of back problems on retirement wealth," by D. Schofield, S. Kelly, R. Shrestha, E. Callander, M. Passey, R. Percival ([DOI: 10.1016/j.pain.2011.10.018](https://doi.org/10.1016/j.pain.2011.10.018)). It appears in *Pain*, Volume 153, Issue 1 (January 2012)

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