Majority of working Americans have no retirement savings

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A majority of Americans are headed toward a retirement in which they will be worse off financially than their parents. Many older people are being forced to put off retirement as their retirement accounts are either woefully inadequate or nonexistent. And many low-income households will have only Social Security to fall back on at a time when the government program is being targeted for deep cutbacks.

The *Washington Post* reported Sunday that the recent economic downturn destroyed nearly 40 percent of Americans' personal wealth, depleting personal savings and retirement accounts. The recent stock market surge has benefited only the wealthiest Americans, while the vast majority face a retirement that is insecure at best. According to the latest US Census figures, one in seven seniors is living in poverty.

These changes signal a marked deterioration in the living standards of wide layers of the population, reversing a generally steady rise since the enactment of Social Security in 1935. Conditions of retirement also improved in the 1960s, which saw the enactment of Medicare, the health insurance program for the elderly, as well as increases in Social Security benefits. These social programs, which pulled large numbers of people out of poverty, are now targeted by both business parties for cuts through changes in the age for eligibility, reductions in real benefits, and privatization.

In what should be a time of enjoyment and relaxation after decades of work, Americans instead are faced with working longer, doubling up with relatives, or turning to social programs such as food stamps to provide for basic necessities. A recent Conference Board survey found that nearly two-thirds of Americans aged 45 to 60 now say they plan to delay retirement, up sharply from just two years earlier, when 42 percent said they planned to work longer.

Since the economic downturn beginning in 2008, workers and their families have faced job losses and stagnating wages, making it virtually impossible for households to put anything aside for retirement. The housing crisis has also forced millions into foreclosure, or added years to mortgage payments that will have to be made well into retirement.

Also exacerbating the crisis is the rising cost of health care, growing consumer debt, and a shift from defined benefit pension plans funded by employers to defined contribution accounts such as 401(k) and Individual Retirement Accounts (IRAs). Half of all workers have no retirement plan at all offered through their employer. Of those who do, four out of five have only 401(k)-type plans, as opposed to a pension that pays a fixed benefit for life.

A study by the Center for Retirement Research (CCR) at Boston College, based on the release of the Federal Reserve's 2010 Survey of Consumer Finances, finds that even if household members work to the age of 65 and annuitize all their financial assets, more than half are at risk of not being able to maintain their present standard of living in retirement. Not surprisingly, the lowest income households face the greatest risk.

According to the study, those with projected income replacement rates in retirement falling more than 10 percent below their pre-retirement income were deemed to be at risk. This at-risk figure for those ages 30 to 59 grew from 31 percent in 1983 to 53 percent in 2010.

The rise was particularly dramatic for the period from 2007 to 2010, increasing from 44 percent of the population facing a financially at-risk retirement to 53 percent. The CCR study points to increased longevity of the population, a sharp decline in interests rates (affecting savings), and the rise in the Social Security Full Retirement Age from 65 to 67 as reasons for the sharp increase.

According to federal legislation enacted in 1983, by 2001 almost all households were required to wait until reaching 66 or 67 years old to receive full Social Security benefits, a change disproportionately affecting low-income households that depend almost exclusively on these benefits for income in retirement.

A Fact Sheet from the Schwartz Center for Economic Policy Analysis (SCEPA) at The New School reports that in 2010, 58 million Americans ages 50-64 were likely not to have enough retirement assets to maintain their current standard of living when they reached their mid-60s. According to SCEPA's figures, for those with incomes below the 50th percentile (individuals earning less than $27,468), the median retirement account balance was zero. This means that more than 50 percent have no retirement savings.

Among those aged 50-64, 77 percent in the bottom 25th percentile (incomes of $0 to $10,800) and 66 percent of those in the 25-50th percentile (incomes of $10,801 to $27,468) had no retirement savings whatsoever.

The Boston College researchers found that among those ages 55 to 64 who had managed to save, the median retirement balance was only $120,000. This amount would only be enough to fund an annuity paying about $575 a month, far short of what the average retiree would need in addition to Social Security to maintain a pre-retirement standard of living.

The tax breaks offered by the government to encourage retirement savings are geared towards the wealthy. While the government grants at least $80 billion in tax breaks each year for individuals funding their 401(k)-type accounts, only those in the upper-income brackets are able to benefit.

An individual making $200,000 a year who contributes 15 percent of pay to a retirement account is eligible for a $7,000 subsidy in the form of a tax break from the federal government. On the other hand, workers earning $20,000 and making the same 15 percent contribution would get nothing because they don't earn enough to qualify for a deduction.

Workers employed in minimum wage jobs, often working part-time, or facing unemployment with dwindling benefits, are urged by financial planners to "take more responsibility" for their retirement under conditions where they do not have enough income to provide food, shelter, utilities and other basic necessities.

Recent data from the US Census Bureau shows that the total number of people in low-income working families now stands at a staggering 47.5 million—accounting for nearly one-third of all working families, or about 15 percent of the entire US population. This means that despite being employed, growing numbers of Americans are unable to lift themselves of out poverty on a daily basis, let alone put anything aside for retirement.

Under these conditions, the ruling elite is proposing policies to further impoverish working class Americans. In January, the Business Roundtable (BRT), a group of millionaire CEOs, proposed raising the eligibility age for both Medicare and Social Security to 70. The BRT is also urging Congress to partially privatize Medicare and to reduce annual Social Security increases.

Led by the Obama administration, Democrats and Republicans in Washington are discussing plans for slashing hundreds of billions of dollars from social programs, including health care and retirement.