

Study shows most Americans have inadequate savings

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A recent survey by Bankrate.com shows that millions of American workers are only a paycheck away from financial disaster. A survey of 1,000 adults found that fewer than 25 percent of Americans have six months or more of savings, an amount deemed adequate to prepare for all but the most severe emergencies.

Another 50 percent have less than three months savings and 27 percent have no savings at all, meaning they are living essentially living paycheck to paycheck, with no emergency cushion to fall back on.

The online lender CashNet.com reported that of 1,000 people it recently surveyed, 22 percent had less than \$100 saved in case of an emergency. Another 46 percent had less than \$800 to cover unexpected expenses. Said Megan Staton, CashNet director of marketing, "The scarcity of rainy day savings remains a concern for too many Americans, and it hasn't improved since last year."

These statistics underscore the hollowness of the claim by the Obama administration that the US is experiencing an economic recovery. In fact, the rate at which Americans are saving is falling, after rising briefly in the aftermath of the 2008 financial crisis when it reached a high of 5.5 percent. In 2011, it declined to 4.2 percent and further to 3.9 percent in 2012. For the first quarter of 2013, the savings rate stood at just 2.6 percent. Only 52 percent of families reported saving in 2010 compared to 56.7 percent in 2007.

Stagnant and falling wages and continued high levels of unemployment make it difficult for most families to save. A study by the University of California found that since 2009 average real income for families has grown by only 1.7 percent. But, that includes an 11 percent increase for the top 1 percent. When that is subtracted, real wages declined half a percent for the bottom 99

percent.

Meanwhile, according to an analysis of US Census Bureau statistics, older Americans are falling far short of saving enough money for retirement. The report prepared by Interest.com, which is owned by Bankrate.com, found that US senior citizens are living off a median household income of \$35,107 compared to a median income of \$61,148 for those ages 45 to 64.

According to financial experts, one needs at least 70 percent of pre-retirement income to enjoy a comfortable lifestyle. However, in only 2 states, Hawaii and Nevada, is median retirement income 70 percent or more of income for households age 45 – 64. Nationally, older Americans have an average income just 57 percent of those ages 45 – 64. In some states, the average is far below that level. For example, Massachusetts had a post retirement income of just 45 percent while in North Dakota it was 48 percent. Other states with low post rates of post retirement income included Connecticut, which had 50 percent and Minnesota, 51 percent.

Even in Nevada, retirees are not that much better off, since the low general wage level for younger workers pushed the post retirement income percentage up.

The percentage of Americans who report saving for retirement has dropped dramatically. In 2013 it stands at 68 percent, down from 75 percent in 2011. The decline in retirement savings is even greater among households with an income less than \$35,000. Among low-income workers the number who save for retirement fell from 49 percent in 2009 to 24 percent in 2013.

The increasing financial pressures on working class families and the fall in the savings rate means that increasing numbers of workers face the prospect of poverty once they retire. The difficulties facing older

Americans are compounded by the fact that fewer companies now provide pensions. More and more workers have no retiree savings or are saddled with 401(k) type defined contribution plans that are subject to the vagaries of the stock market. For many retirees Social Security is their only source of income.

A report by The Schwartz Center for Economic Policy published in 2012 found that in 2011, 75 percent of workers between the ages of 50 and 64 had less than \$30,000 in their retirement accounts, a totally inadequate amount that would not provide any significant addition to monthly Social Security payments.

The Social Security Administration reports that 53 percent of married retirees and 74 percent of unmarried retirees receive at least half of their income from Social Security. Nearly one fourth of married retirees and half of unmarried retirees rely on Social Security for 90 percent of their income.

As a consequence, increasing numbers of older Americans are living in poverty. According to the US Census Bureau, 9 percent of those 65 and older lived below the official poverty threshold in 2012, a rate that has been growing steadily since 2005. In addition, many are being forced out of retirement or are working well into their retirement years to cover their expenses. Further, increases in debt and increasing health care costs are exhausting many retirees' savings. Most retirees living in poverty suffer from acute medical problems such as cancer, lung disease, heart problems or stroke.



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