Millions of Americans face poverty in retirement

Kate Randall
25 June 2018

Americans are reaching retirement age in worse financial shape than the prior generation for the first time since the 1950s. According to an analysis published Saturday by the *Wall Street Journal*, those who should be entering their "golden years" have seen their median incomes stagnate and even decrease, reversing the pattern that had prevailed since the post-World War II Truman administration.

Those approaching retirement have dwindling resources, in many cases because they have had to pay off their children's college loans or take from savings to care for aging parents. Social Security and retirement fund receipts have not risen in years, and 401(k) retirement funds will bring in a median income of less than $8,000 a year for a household of two.

The reality is that instead of retiring, many older Americans will be forced to remain in their jobs after age 70 or take jobs for which they are overqualified to supplement their meager retirement income and savings. These older workers will find themselves in competition with younger workers for low-wage, temporary and part-time employment.

The desperate situation facing millions of workers contemplating retirement stands in sharp contrast to the accumulating wealth of a narrow financial elite, with the world's 18.1 million individuals with $1 million or more in investable assets shooting up by 10.6 percent last year.

A 2018 retirement savings survey by GOBankingRates compiled data from three Google Consumer Surveys by age group—millennials, Generation Xers and baby boomers—asking the same question: "By your best estimate, how much money do you have saved for retirement?"

The poll found that 42 percent of Americans have less than $10,000 in savings and that 14 percent have absolutely nothing saved for retirement. According to the Bureau of Labor Statistics, adults 65 and older spend about $46,000 a year on living expenses. In other words, more than four in 10 Americans do not have saved what it would cost to live for a year if they were to retire today.

Not surprisingly, the situation facing millennials—ages 18-34—is even bleaker. Fifty-seven percent have $10,000 or less saved for retirement, and 18 percent have zero saved.

Backing up this survey, the *Wall Street Journal* found that more than 40 percent of households headed by people aged 55 through 70 lack sufficient resources to maintain their living standards in retirement. That is around 15 million US households.

The decline in living standards of older and retired workers follows decades of progress in the financial security of America's aging population. In the postwar era, fixed government and company pensions gave millions of people a guaranteed income on top of Social Security payments. The majority of Americans retired in better shape than their parents.

The prospect of people living a more comfortable retirement than their parents is now evaporating across all generations. The *Journal* points to the following indices:

• Median personal income of 55- to 69-year-olds leveled off after 2000 for the first time since data become available in 1950, according to an analysis of US Census data by the Urban Institute.

• Households with 401(k) investments and at least one worker aged 55-64 had a median $135,000 in tax advantaged retirement accounts as of 2016, according to the Boston College Center for Retirement Research. This would amount to just $600 a month in annuity income for life.

• Americans aged 60-69 had about $2 trillion in debt in 2017, an 11 percent increase per capita over 2014, according to New York Federal Reserve data adjusted for inflation. Their debt for their children's student loans in 2017 was more than six times the level in 2004.

Healthcare costs are a major contributor to increasing poverty among American seniors. According to the Kaiser Family Foundation, since 1999 average worker contributions toward individual health insurance premiums have risen by a staggering 281 percent, to $1,213 annually. A survey last year by the Employee Benefit Research Institute found that more than a quarter of workers cut back on retirement savings due to medical costs, and nearly half reduced other savings.

Only a quarter of large companies offer retiree medical insurance, down from 40 percent in 1999, according to Kaiser. Premiums for Medicare, the government health insurance program for the elderly, and costs that the program doesn't cover accounted for 41 percent of the average $1,115 monthly Social Security benefit in 2013, leaving the average retiree with just $658 a month.

One of the biggest factors leading to less secure retirement is the shift from pensions to 401(k)-type plans. Following passage of Social Security legislation in 1935, pensions gained momentum after World War II. According to the Employee Benefit Research Institute, by the 1980s, 46 percent of private-sector workers were in pension plans, a situation that is alien to most workers today.

The *Journal* analysis points to congressional action in 1978 that "set the stage for a pension retreat." Congress authorized companies to obtain tax-deferred treatment of executives' bonuses and stock-options—essentially tax breaks—to supplement their pension payouts. This move ushered in the era of the 401(k), allowing employees to reduce their taxable income by placing pretax dollars in an account. Employers seized on this to dump pension benefits and move toward 401(k)s.

With the financial collapse of 2008, workers with 401(k)s saw the value of these accounts plunge. They were forced to withdraw funds to pay bills or cut back on their contributions. The vast majority of these retirement accounts have never rebounded.

Financial "experts" on television and in blogs admonish young adults and baby boomers to be responsible and frugal and save for their retirement. These generally wealthy financial advisers are miles away from the overwhelming majority of Americans of all ages, who struggle on a daily basis to pay for basic necessities such as food, housing, transportation and healthcare.

A separate GOBankingRates survey asked more than 1,000 adults with $0 saved, "Which is the main reason you do not have any retirement savings?" The most common response was, "I don't make enough money," with about 40 percent choosing this response. The second most common reason for not saving was, "I'm struggling to pay bills," with about 25 percent of respondents choosing this answer.

These studies point to the growing scourge of income inequality, which is inevitably propelling working people into struggle against the financial oligarchy that dominates US economic and political life and maintains its rule through its control of both big-business parties.