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## The Retirement Crunch

Are wage earners saving enough for life after work?

By Heather Kerrigan

Barry Chim/The Boston Globe via Getty Images



Gabriel Howson, 22, and his mother, Monica Beato-Howson, prepare a meal in the Boston home that he shares with his parents. Many Millennials have moved back home after college to help pay down student loans or credit card debt and struggle to save for retirement. A 2017 study found that only about one-third of Millennials were saving for retirement.

Encouraged by her mother who worked in the accounting industry, Deb Wilson began saving for retirement during her first job. For four decades, she has been contributing as much as possible to her retirement plans, and most of what she has set aside came with an employer match. But as Wilson nears retirement age, she still worries about when she will be able to retire and what her post-working years will look like.

"I am one of those people [who] thinks there is a retirement crisis," says Wilson, 63, who provides information technology support at a nonprofit health information exchange. She says she knows people whose retirement plan worked out, but others who lack the resources for a secure future after work. "If I just knew when I was going to die, then I could figure out my retirement," she says.

Terri Earley, a 47-year-old finance executive, also is taking cues from her mother, but in a different way. "It's been almost five years since she retired, and she lives with me," primarily because "she could not afford regular rents," Earley says. She says her mother failed to start saving early, and when she did, balked at investing it: "She was basically one step above having her money under the mattress. She wanted to take zero risks with her money." Today her mother's \$2,000 monthly income is a combination of a small U.S. Postal Service pension and Social Security.

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Earley says she does not want to find herself in the same situation, so she contributes enough to her 401(k), a tax-advantaged retirement account, to get the employer match. She knows she is not yet in a place where she will have enough income to enjoy the lifestyle she wants in retirement—but “I’m closer than my mother.”

A significant body of research suggests that stories like Wilson’s and Earley’s are common. Americans simply are not saving enough to ensure financial stability in their post-working years. The gap between how much Americans have saved for retirement and what they will need is at least \$3.83 trillion, according to the Employee Benefit Research Institute (EBRI), a Washington think tank that studies economic security issues. A 2018 Federal Reserve survey found that one-fourth of all working adults said they had no retirement savings.<sup>1</sup>

According to the EBRI and others who have studied the question, retirement savings are not increasing fast enough to keep pace with a host of trends that are reshaping the reality future retirees will face. These include lengthening lifespans, rising health care costs, a decline in traditional pension plans that do not always require an employee contribution and guarantee a fixed payout, the rise of gig economy jobs that lack access to an employee-sponsored retirement plan, predictions of lower long-term

rates of return on investment and the possibility of adjustments to Social Security.<sup>2</sup>

“The ability to live comfortably in retirement is a basic premise of the American dream,” said Ed Farrington, executive vice president of retirement strategies at Natixis Investment Managers, a Boston-based asset management firm. “Right now, it’s just a pipe dream for many hardworking Americans.”<sup>3</sup>

Some experts question the idea of a growing retirement gap, saying surveys and data indicate most people feel prepared for retirement and that contributions to retirement plans are on the rise.

But those who study the issue say that if there is a shortfall, the consequences may be serious and widespread.

A failure to save—or save enough—for retirement can ripple outward from individuals to their families and the wider community. Those lacking retirement savings will be downwardly mobile as they age, according to Diane Oakley, executive director at the National Institute on Retirement Security (NIRS), a Washington think tank: “They’re going to go from being near poor to poor.”<sup>4</sup>

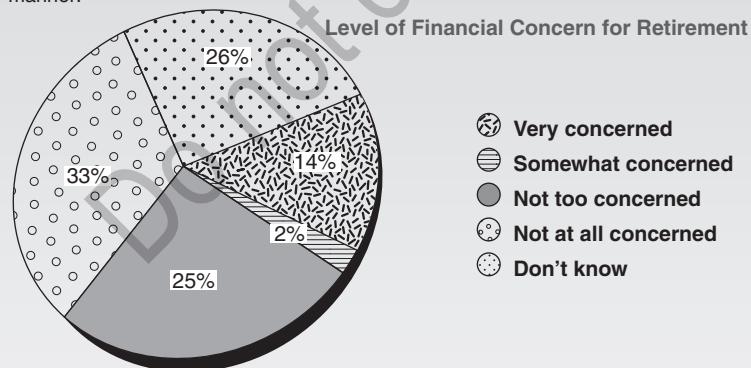
For some, this will mean working longer or relying more heavily on their family. But a growing number of older adults may find themselves homeless. The proportion of the population age 62 or older living in homeless shelters rose from 4.4 percent in 2007 to 8.1 percent in 2017 in cities, and from 3 percent to 7.5 percent in suburban and rural areas, according to federal government data.<sup>5</sup>

“Neighborhoods will feel it, then cities, then states, and then the impact of the retirement crisis may be felt by Congress and the president,” says Teresa Ghilarducci, a labor economist and retirement expert at the New School for Social Research in New York City. The wider impact could come in the form of an increasing strain on social welfare programs and more demand for community services.

The challenges were captured in a 2019 Natixis survey of 1,000

### Most Adults Worried About Retirement Security

More than half of Americans age 25 or older surveyed by the National Institute on Retirement Security, a research group in Washington, said they were either very or somewhat concerned about their ability to retire in a financially secure manner.



Source: Diane Oakley and Kelly Kenneally, “Retirement Insecurity 2019,” National Institute on Retirement Security, March 2019, p. 4, <https://tinyurl.com/y5lcxck3>

American workers who have access to a defined-contribution retirement plan—one in which employees can choose to make regular contributions but are not guaranteed a set payout. While a majority reported that they think they have saved enough for a secure retirement, Farrington said those individuals did not have a clear understanding of what they would actually need when they stopped working and how much they might have access to. More than a quarter of those surveyed had already borrowed against their retirement plans. Two-thirds counted Social Security as part of their income calculation for retirement, yet more than 40 percent said they doubted the program will be available to them.<sup>6</sup>

The problem is not unique to the 10,000 Baby Boomers reaching retirement age every day.<sup>7</sup> Many studies have found that every age group is saving less than necessary to cover regular expenses in retirement. The federal Government Accountability Office reported that in 2016, 48 percent of households headed by someone age 55 or older had no retirement savings—and that was a slight improvement over 2013, when 52 percent of these households were without retirement savings.<sup>8</sup>

Many experts say that in retirement an individual will need 70 percent to 80 percent of final preretirement income—and some financial planners are shifting their recommendation upward to as much as 100 percent, depending on retiree lifestyle expectations and rising health care costs.<sup>9</sup> According to the investment firm Morningstar, assuming a 6 percent average return on investment and 2.5 percent annual inflation, a retiree would need savings of \$1.18 million to have \$40,000 available per year over the course of a 30-year retirement.<sup>10</sup>

An EBRI study published in March found that those 55 to 64—the age group approaching retirement—have an average savings shortfall ranging from \$44,186 to \$44,055 between what they would have available in retirement and what they would need. The gap for those ages 35 to 39 is \$49,182, although that is



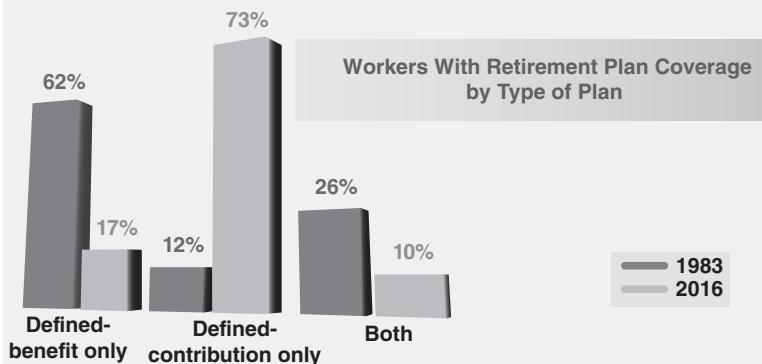
Jonathan Miggs/The Boston Globe via Getty Images

It's a happy 100th birthday for Rocco Brienzo, a retired firefighter in Lynn, Mass., as he prepares to cut a cake celebrating the milestone in April 2019. Longer lifespans and rising health care costs are increasing the amount Americans need to save for a secure retirement.

a 22 percent reduction from the deficit in 2014, EBRI found.<sup>11</sup> A 2017 study by student loan servicer Navient found that only 31 percent of Millennials—defined as those ages 22 to 35—were saving for retirement, with an average saved of less than \$33,000.<sup>12</sup>

### Traditional Pensions Fading Away

Between 1983 and 2016, the percentage of U.S. workers covered only by traditional defined-benefit pensions—plans that guarantee a set payout—fell from 62 percent to 17 percent. The share covered only by defined-contribution plans—in which employees can make regular contributions but are not guaranteed a set payout—grew sixfold.



Source: Matthew S. Rutledge and Geoffrey T. Sanzenbacher, "What Financial Risks Do Retirees Face In Late Life?" Center for Retirement Research at Boston College, January 2019, p. 2, <https://tinyurl.com/y3s9346k>

The savings shortfall for women was nearly double that of men, across all age groups, the EBRI study found.<sup>13</sup> Women are held back in their efforts to save for retirement by lower earnings than men, taking more time off to act as caregivers and having lower levels of financial literacy than men, according to the Wisconsin Department of Employee Trust Funds, which administers that state's retirement programs for public-sector workers.<sup>14</sup>

Retirement security traditionally was focused on the idea of a three-legged stool, where the retiree relies on pension benefits, Social Security and individual savings. Social Security is designed to provide only about 40 percent of preretirement income, leaving it to the individual and employer to cover the rest.<sup>15</sup> Social Security also faces a long-term funding crunch that will result in its being able to pay only 77 percent of scheduled retirement benefits after its trust fund is depleted in 2034 unless Congress acts to shore up the system.<sup>16</sup>

Far fewer companies have been offering traditional defined-benefit pension plans—those in which workers are guaranteed a set payout after retirement based on years of service and earning level—since tax law changes in the late 1970s and early '80s paved the way for creation of 401(k) plans and individual retirement accounts (IRAs). The shift has put more of the onus for saving on the individual, but only four in 10 workers were participating in a defined-contribution plan as of last year, according to federal data.<sup>17</sup> In addition, the potential investment risk inherent in 401(k)s and IRAs creates reduced security.

Even defined-benefit plans can have security issues if they are not adequately funded. The Employee Retirement Income Security Act (ERISA) of 1974 established a federal agency, the Pension Benefit Guaranty Corp. (PBGC), to enhance the stability of private defined-benefit plans. If a company's pension plan fails, the agency steps in and pays out pension benefits to employees covered by the plan, up to a maximum benefit set by law. But that benefit may not be what the retiree was promised on joining the company—and the PBGC itself is facing insolvency by 2025 without some form of congressional intervention because of mounting problems in plans that cover multiple employers.<sup>18</sup>

Similarly, public-sector pension plans, once considered the gold standard of retirement, have struggled to maintain adequate funding levels and collectively face an

estimated \$4.4 trillion shortfall, according to the bond-rating firm Moody's Investors Service.<sup>19</sup> States and localities have tried a variety of methods to address their unfunded liabilities, including cutting back on cost-of-living adjustments (COLAs) or enrolling new employees in defined-contribution or hybrid plans. Some of these changes have been challenged in the courts, which have differed on which benefit and contribution changes are allowed by law.<sup>20</sup> (*See Short Feature.*)

To make it easier for individuals to save, retirement experts recommend eliminating barriers to participation in 401(k)s, providing incentives for saving and educating employees about the need for and benefits of saving. They also advocate encouraging employers to automatically enroll employees in savings plans—employees can then opt out if they wish—and automatically raise their employees' contributions periodically. These last two programs, known as auto-enrollment and auto-escalation, have a demonstrated record of increasing the number of enrollees and the amount saved.<sup>21</sup>

The effort to shore up retirement savings will require a joint effort among workers, employers and federal, state and local legislators. A growing number of businesses are utilizing automatic enrollment and escalation, and states including Oregon, California, Illinois, Maryland and New Jersey are opting to create state-backed IRAs that offer coverage for certain employers whose employees do not otherwise have access to a retirement savings vehicle. In Washington, D.C., lawmakers in both parties are interested in addressing some of the biggest challenges of retirement savings. Pending bills include measures to address Social Security solvency, expand access to retirement plans, make plans easier to move from one employer to another and increase incentives for both employers and employees to contribute to plans.

As scholars, legislators, business owners, wage earners and others debate how to influence financial security in retirement, here are some of the questions they are considering:

### **Are Americans prepared for a secure retirement?**

In an October 2018 speech, Kara M. Stein, then a member of the U.S. Securities and Exchange Commission, explained why she believed that financial security in

retirement was becoming “increasingly tenuous” for so many people. The traditional three-legged retirement stool of Social Security, a pension and personal savings, Stein said, was looking “more like the Leaning Tower of Pisa.”<sup>22</sup>

The decrease in the share of individuals participating in defined-benefit pension plans, which fell from 56 percent in 1993-94 to 14 percent by 2018 for private-sector workers, and the declining health of the Social Security trust fund have placed more of the burden for saving for retirement on the individual, Stein said.<sup>23</sup> “Unfortunately,” she added, “most Americans are not, and may never be, prepared.”<sup>24</sup>

Not every expert accepts the proposition that a retirement crisis is in the offing. Yet some of the data being reported by those tracking the issue are causing concern.

The NIRS reports that the majority of working-age Americans do not have a retirement account. Those with an account have an average balance of just \$40,000, and nearly 70 percent of those ages 55 to 65 have savings at or below their annual income, which is far below what they will need in retirement.<sup>25</sup>

“The retirement crisis is a tsunami that is rapidly approaching,” Stein said. “We can already see it and, indeed, we are starting to feel its effects. Americans are having to work past traditional retirement age. And the number of bankruptcies for those over the age of 65 has increased dramatically. The size and speed of the tsunami is likely to increase as it gets closer and closer to us.”<sup>26</sup>

The problem is especially acute for Baby Boomers, which the U.S. Census Bureau defines as those born between 1946 and 1964. “The majority of Americans who are nearing retirement now are not prepared,” says retirement expert Ghilarducci. While she says the answer lies with lawmakers, “I’m really worried there is going to be a lag between the solution and the harm, which is just going to increase until there is action.”

Boston College’s Center for Retirement Research came to the same conclusion through its National Retirement Risk Index, finding that about half the population is ill-prepared for retirement, when adequate preparation is defined as maintaining one’s current standard of living. The center’s data indicate that future retirees—including Baby Boomers and members of Generation X, the group between Boomers and Millennials—are at risk of struggling more in retirement than current retirees.<sup>27</sup>

Some recent data from EBRI suggest that the gap between what retirees need and what they have saved may be shrinking. Still, 40.6 percent of all U.S. households headed by someone between the ages of 35 and 64 will come up short in retirement, the EBRI found. The improvement in retirement savings is concentrated among Millennials, while those nearest to retirement are facing increasing shortfalls in what they have set aside, the institute found.<sup>28</sup>

Some experts are skeptical about such studies, saying the conclusion of looming trouble is not supported by data or anecdotal evidence of how retirees are living. “There is no retirement crisis among either today’s retirees or tomorrow’s,” wrote Andrew Biggs, a resident scholar at the American Enterprise Institute, a conservative Washington think tank. “Eight in 10 retirees tell Gallup they have enough money to ‘live comfortably,’ and 6 in 10 working-age households say the same.”<sup>29</sup>

Biggs points out that the poverty rate is lower among those 65 or older than any other age group, and he says more Americans are saving and retirement plan contributions are rising. He cites Social Security data showing that 61 percent of workers are participating in a retirement savings plan and evidence from the Department of Labor that employer and employee contributions have averaged 8.3 percent of employee wages during the past decade, up more than 2 percentage points from 1975-84.<sup>30</sup> Savings in retirement plans, Biggs wrote, are up substantially since the mid-1970s.

“What would a retirement crisis look like?” Biggs wrote. “Warning signs might include low participation in retirement plans, insufficient retirement-plan contributions, falling retirement savings and stagnating retiree incomes. We see none of those.” In addition, he said, the Social Security Administration’s computer models do not project a coming crisis.<sup>31</sup>

Rachel Greszler, a research fellow at the conservative Heritage Foundation, says that while Americans do need to save more to prepare for the future, “when we look at the data, people report that they have less savings than they actually do.” Greszler believes some of the underreporting is caused by the shift from defined-benefit to defined-contribution plans.

“When you ask somebody, ‘did you have income from a pension last year,’ if they didn’t have a defined-benefit

pension with a regular monthly amount, they say no,” Greszler says. But she says those questions are really intended to ask whether an individual draws from any kind of retirement account, either regularly or irregularly. “It’s undercounting what people have. Over the past few years, we’ve seen more evidence that they have more than we thought and are better prepared,” she says.

### Should the Social Security payroll tax be increased to shore up the system?

The Social Security Board of Trustees reported in April 2019 that starting in 2020, the cost of paying beneficiaries, their dependents or spouses will exceed the program’s income. That will require the program to start drawing on reserves to keep paying full benefits, and unless Congress acts to shore up the reserve fund, it will be depleted by 2034, the trustees said. At that point, Social Security will be able to pay out only 77 percent of scheduled benefits for current and future retirees.<sup>32</sup>

“The trustees recommend that lawmakers address the projected trust fund shortfalls in a timely way in

order to phase in necessary changes gradually and give workers and beneficiaries time to adjust to them,” Nancy A. Berryhill, the acting commissioner of Social Security, said.<sup>33</sup>

Dealing with the projected shortfall expeditiously is important to ensure the program fulfills its critical role in the lives of a growing number of Americans, according to the trustees. At the end of 2018, Social Security was providing benefits to 52 million retired workers, dependents and survivors. By 2040, the Center on Budget and Policy Priorities, a liberal Washington think tank, projects that the share of Americans over the age of 65 will grow by more than one-third.<sup>34</sup> Over the same period, the growth rate of the labor force—the pool of people paying into the system—will continue its slow long-term decline, according to the Bureau of Labor Statistics.<sup>35</sup>

Social Security Administration Chief Actuary Steve Goss says Congress has a “tremendous range of possibilities” to address the financial health of the program. In fact, the agency’s website has pages upon pages dedicated to the research it has conducted on the subject. “We know that changes are going to happen,” Goss says. “The question is, what combination of changes in benefit levels that are scheduled and changes in revenue that are scheduled will they [lawmakers] end up enacting?”

The Social Security program is funded primarily by a payroll tax of 6.2 percent paid by both the employer and employee (self-employed individuals cover the full 12.4 percent themselves).<sup>36</sup> Most of the revenue collected from this tax goes into the Old-Age and Survivors Insurance fund, with the rest going to a fund for disability insurance. The earnings subject to the payroll tax are capped, with the maximum set at \$132,900 this year. The cap is adjusted each year based on changes in a measure of U.S. wage trends called the National Average Wage Index.<sup>37</sup>

Although ideas for addressing the program’s shortfall may be plentiful,

### A Gloomy Outlook on Retirement

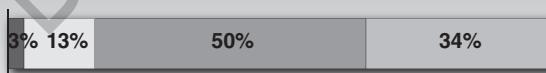
Most Americans are pessimistic about the retirement prospects for people who will be age 65 or older 30 years from now, according to a 2018 Pew Research Center survey. Nearly three in four respondents said those older adults will be less prepared financially than retirees today, and 84 percent said most will probably or definitely have to work into their 70s.

#### Views on Retirement Prospects for Older Adults in 30 Years, 2018

Share of people saying how financially prepared for retirement those age 65 or older will be in 30 years



Share of people saying that by 2050 most Americans will work into their 70s to have enough resources to retire



Note: Nonresponses not shown. Figures may not add to 100 percent because of rounding.

Source: John Gramlich, “Looking ahead to 2050, Americans are pessimistic about many aspects of life in U.S.,” Pew Research Center, March 21, 2019, <https://tinyurl.com/yxpka5tg>

Definitely will not happen  
 Probably will not happen  
 Probably will happen  
 Definitely will happen

they are politically challenging—so much so that the last major reform to the system came in 1983. That was when a change in the age of eligibility for full retirement benefits was enacted, gradually raising it from 65 to 67 by 2027. Today, many scholars and legislators say they understand the necessity of a solution that addresses both program benefits and revenue, but the right balance remains elusive.

“On the revenue side, you could raise the contribution rate, which is probably not terribly popular with people who prefer lower taxes,” says Courtney Coile, a research associate at the National Bureau of Economic Research (NBER), a nonpartisan think tank in Cambridge, Mass. “A policy that might have more broad appeal would be raising the taxable maximum,” she says, because it would have an impact only on higher-income wage earners.

A precedent for such a change already exists. When the Affordable Care Act was signed into law in 2010, it made all wages subject to the Medicare payroll tax, which finances the federal health insurance program for the elderly. However, Coile cautions, the Medicare tax, at 1.45 percent of income, “is a lot smaller than the share that goes to Social Security.”

Ghilarducci, the labor economist, advocates for a two-pronged revenue solution that raises the Social Security payroll tax—which she says “should be a very moderate increase and can be done gradually”—and also increases the income cap. “We need to tax all earnings and put that money into the Social Security system,” she says.

While many members of Congress embrace increasing the payroll tax or raising or eliminating the cap, some scholars argue that such a solution would not address the program’s financial woes in a fiscally responsible and sustainable manner.

“Increasing (even eliminating) the cap wouldn’t accomplish nearly as much financial improvement as many people believe,” wrote Charles Blahous, a senior research strategist at the Mercatus Center, a market-oriented think tank at George Mason University in Arlington, Va.

The reason for this, he wrote, is that the amount of benefits a wage earner can draw from Social Security is determined in large part by the amount of earnings subject to the payroll tax. While raising the cap would bring in

more revenue in the short term, it would also increase the benefits paid out in the long run—and increase benefits “for those who need them least.” The only way to avoid this outcome, he wrote, would be to change the formula for determining how much benefits are paid out.<sup>38</sup>

Greszler, of the Heritage Foundation, is working on an analysis of the Social Security 2100 Act, a proposal that, among other things, would raise the payroll tax to stabilize the trust fund and pay for benefit increases for current and future retirees. Even with a conservative rate of return, Greszler says, wage earners would benefit more if they could put the money that would be subject to a higher payroll tax into a personal retirement account, rather than having it go to Social Security, and invest it themselves. The biggest reason, she says, is that every dollar that goes into the Social Security fund goes straight out to pay benefits, while “the power of compounding interest would do more, especially for lower-income workers.”

Blahous, who conducted his own review of the Social Security 2100 Act and concluded that it would likely reduce wages for future generations, has argued that a trade-off is needed. The most politically feasible solution, he wrote, will require “that the political right must accept some tax increases, and the political left must accept some deceleration of benefit growth. This is because the problem has already grown so large that a solution consisting of either benefit constraints or tax increases can’t plausibly be enacted.”<sup>39</sup>

Coile, the NBER researcher, agrees. “It seems like you could get consensus around a policy change where you both agree to bring some revenue into the system and make some changes on the benefit side,” she says.

### **Is state or federal intervention needed to encourage more retirement savings?**

The current Congress has shown some appetite for legislation that encourages greater saving for retirement, by either individuals or employers. The Secure Act, introduced by Rep. Richard Neal, D-Mass., makes it easier for small businesses—those with up to 100 employees—to work together to provide retirement plans, requires access to employer retirement plans for long-term part-time employees and eliminates the age limit of 70½ on contributing to traditional IRAs. The bill passed the House on May 23, 2019, with bipartisan support.<sup>40</sup>



Jeannie and Richard Dever sort clothes in a laundromat in Ellsworth, Maine. The Devers, who are in their 70s, work seasonal summer jobs and live in a recreational vehicle. The couple has no pension or 401(k) plan and almost no savings. They make ends meet with Social Security payments and what they make from their summer jobs.

The Retirement Enhancement and Savings Act (RESA), introduced by a bipartisan group of legislators, would make it easier for small businesses to provide retirement accounts and increases access to annuities, an investment vehicle that provides a guaranteed lifetime income. The Saving for the Future Act, introduced by five Democratic senators and representatives, would provide for near-universal retirement account coverage and make it easier for someone changing jobs to move a retirement account into the plan of the new employer.

Congress' last attempt to encourage retirement savings came nearly two decades ago when it passed the retirement savings contribution credit, a tax credit for low- and middle-income families that set aside retirement funds. The program only marginally increased retirement savings for its target groups, partly because eligibility required making contributions to a retirement plan. Many low-income families either cannot afford to make such contributions or do not have easy access to such a plan through an employer.<sup>41</sup>

According to the University of Pennsylvania's Wharton business school, federal tax credits for retirement savings primarily benefit better-educated people with higher incomes—people who are already likely to be saving for retirement. However, Wharton also found evidence that hard mandates, such as a federal retirement savings requirement, or softer nudges, such as automatic

enrollment, may “be important for increasing total saving and retirement preparedness.”<sup>42</sup>

Studies suggest support for greater intervention at the local, state and federal level to help increase retirement savings. More than half of the Natixis survey of 1,000 retirement plan participants said the government should provide everyone with access to a retirement savings vehicle. A majority also supported requiring everyone to save for retirement.<sup>43</sup>

A survey conducted earlier this year by the NIRS found that large majorities believe the retirement crisis is real and that the federal government needs to give retirement security a higher priority. “Americans are disappointed with national political leadership on retirement policies,” said Oakley, the institute's executive director.<sup>44</sup>

Oakley said survey respondents were more positive about actions to bolster retirement readiness that state legislators have taken. Some 74 percent said they would participate in a state-based retirement plan.<sup>45</sup>

Many states are now taking the lead on researching and implementing initiatives that encourage retirement savings. Ida Rademacher, executive director of the Financial Security Program at the Aspen Institute, a non-partisan think tank, says state leadership is critical “because they're going to feel the budget crunch of people unprepared for retirement.” Most of the effort at the state level has taken the form of auto-enrollment, along with retirement marketplaces that seek to bring together employers and individuals seeking plans with companies offering them and multiple-employer plans offering coverage for small businesses. In Oregon, the first state to offer an auto-enrollment IRA, early data indicates that such plans increase participation, especially among younger workers.<sup>46</sup>

Greszler and her Heritage Foundation colleague Adam Michel have found that some of the current proposals for federal intervention would have negative unintended consequences. In their review of the Secure Act, they concluded that provisions that require any company offering a retirement plan to include part-time workers could ultimately “reduce retirement security for some Americans.” Forcing companies to include part-timers, Greszler and Michel said, could increase retirement-plan costs and ultimately lead companies to stop offering a plan altogether.<sup>47</sup>

If there is to be federal intervention, Greszler advocates focusing it on making it easier to save, educating workers on the need to save and addressing the specific challenges of those who struggle most to do it, such as low-income earners. That focus would help ensure that the government's efforts are not wasted. "There are a lot who are already prepared and don't need a federal program and don't need the government to force them," Greszler says.

## BACKGROUND

### Rise of Retirement Programs

Until the late 1800s, the idea of saving for retirement was rarely considered. Most Americans either labored on farms or in early industrial enterprises, or managed those who did, until death. Life expectancy in the mid-19th century averaged slightly above age 40, but even those who reached what is today considered old age remained working.<sup>48</sup> According to the Economic History Association, in 1850, 76.6 percent of men age 65 and older were still part of the labor force.<sup>49</sup> Most of those who did leave the workforce were pushed out by disability and relied on family or friends for care.

Although public pension plans were available to soldiers as far back as the 1700s, private-sector pensions did not become available until the 1870s and 1880s.<sup>50</sup> American Express offered the nation's first one in 1875, and by 1926 around 200 individual businesses did so as well. These were not intended to replace an employee's full income, but provided a small stipend for retirees.<sup>51</sup>

In the years surrounding World War II, private-sector pensions took off, driven by a number of factors, including a competitive labor market and a federal effort to hold down cash wages and inflation that resulted in companies enhancing benefits packages. The growing number of labor unions also began shifting away from a singular focus on wages and working conditions toward benefits packages with heftier pensions.<sup>52</sup>

States and cities had begun offering their own defined-benefit pensions, at first to public safety workers such as police and firefighters. In 1911 Massachusetts became the first state to offer such a program to all of its employees. The federal government offered pensions to all its employees by 1930.<sup>53</sup>

A more widespread role for the government in preventing poverty, including for the elderly, came about during the Great Depression. In 1935, Democratic President Franklin D. Roosevelt signed the Social Security Act to "give some measure of protection to the average citizen and his family against the loss of a job and against poverty-ridden old age."<sup>54</sup>

The program was somewhat different from what exists today. Enrollment was not open to everyone (the self-employed, domestic staff and farmworkers were excluded at first). Workers were required to register at a post office for a Social Security number beginning in November 1936. The program was widely popular, even though most people understood that payouts would likely be below poverty-level wages; within four months of the start of registration, 26 million people had received Social Security cards.<sup>55</sup>

### Congress Acts

After the program's inception, Congress passed several amendments adjusting Social Security. These included changes in the 1940s and '50s that extended coverage to domestic and farm laborers, some self-employed individuals and some federal employees, as well as to the dependents and survivors of retired workers. In the 1960s, workers with disabilities and their dependents were added to the Social Security rolls. Medicare, the federal health insurance program for the elderly, was instituted in 1965.

In 1972, Congress created an automatic cost-of-living allowance for Social Security, tied to an inflation rate measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).<sup>56</sup> Before this, congressional action was required for any benefit increase.<sup>57</sup> Initially, an automatic COLA occurred only if the CPI-W increased at least 3 percent; in 1986, Congress eliminated the 3 percent requirement.<sup>58</sup> The COLA is widely considered responsible for significantly reducing poverty among those over age 65—this group now has the lowest poverty rate of any age cohort.<sup>59</sup>

However, soon after the COLA provision was enacted, it became clear that the program's tax structure would not cover benefits in the long term. In response, in 1977 Congress changed the benefit formula for workers born after 1916 in a way that reduced the initial payouts.<sup>60</sup>

## C H R O N O L O G Y

**1870s-1940s** *A growing number of Americans gain access to retirement plans.*

**1875** American Express establishes nation's first private-sector pension plan.

**1911** Massachusetts becomes first state to offer a pension plan to all state employees.

**1930** U.S. government provides a pension plan for all federal employees.

**1935** Social Security Act establishes a government-run retirement benefit program funded by a payroll tax; workers begin registering the following year.

**1939** Social Security expands to allow benefits for retirees' dependents and widows.

**1940** Social Security begins offering ongoing monthly benefits instead of lump-sum payments.

**1950s-1970s** *Social Security reaches more people.*

**1950-54** Congress expands Social Security to include, among others, farm and domestic workers, self-employed workers and federal employees not covered by a government pension plan.

**1965** Congress adds Medicare to the Social Security Act to provide health insurance for Americans 65 and older.

**1972** Congress approves automatic cost-of-living adjustments (COLAs), linked to inflation, for Social Security recipients.

**1974** Employee Retirement Income Security Act sets new standards for private-sector pension plans and creates the individual retirement account (IRA) in which contributions are made on a tax-deferred basis.

**1980s-1990s** *Defined-contribution plans become more widespread than pensions.*

**1980** Ted Benna, a retirement benefits consultant in Pennsylvania, devises the first 401(k) retirement plan—allowing employees to save pretax money while receiving

an employer match—based on a 1978 modification to the tax code.

**1981** An Internal Revenue Service rule change allows workers to contribute to 401(k) plans through salary deductions.

**1983** Congress passes Social Security amendments that, among other things, gradually raise the age of eligibility for full benefits to 67 by 2027.

**1997** Taxpayer Relief Act creates the Roth IRA, a savings vehicle that allows account holders to make post-tax contributions and tax-free withdrawals.

**2000-Present** *A faltering economy drives concern about the safety of retirement accounts.*

**2000** Dot-com investment bubble bursts, causing stock market to plummet; tech-heavy Nasdaq composite index loses nearly 80 percent of its value over the following two years.

**2001** Retirement savings contribution credit allows low- and middle-income taxpayers to claim a tax credit for contributions to a retirement or savings plan. . . . Co-directors of the Center on Economic Policy Research argue in their book *Social Security: The Phony Crisis* that the government-run retirement system is not as troubled as many believe and not in need of reform.

**2005** Republican President George W. Bush presses for partial privatization of Social Security, but plan fails to win backing from Congress and proves unpopular with the public.

**2006** Congress passes Pension Protection Act making it easier for employers to automatically enroll workers in 401(k) plans.

**2007** Severe two-year recession begins, driven by the bursting of a housing bubble. Nation experiences widespread job losses and foreclosures, decreased consumer confidence and 31 percent decline in value of IRAs and 401(k) plans.

**2009** Economy shows signs of growth, with GDP rise of an annualized rate of 3.2 percent in the first quarter of

the year. . . . According to the Congressional Budget Office, public pension plan assets cover less than 80 percent of liabilities, the lowest level in 20 years.

**2013** S&P 500 stock index surpasses prerecession high in March and continues to set a series of records throughout the following year. . . . National Institute on Retirement Security reports “dangerously low” retirement savings, with a deficit between \$6.8 and \$14 trillion.

**2014** Sylvester Schieber, former chair of the Social Security Advisory Board, and Andrew Biggs, former principal deputy commissioner of the Social Security Administration, write for *National Affairs* that the concept of a retirement crisis is overblown.

**2017** Oregon becomes the first state to establish a state-backed, automatic-enrollment IRA program for private-sector employees, and a handful of other states follow suit. . . . According to Moody’s Investors Service, Illinois’ unfunded public pension liability hits the highest level ever for any state, at 601 percent of state revenues.

**2019** Secure Act and Retirement Enhancement Savings Act gain bipartisan support in Congress as ways to make saving easier for Americans, especially part-time and small-business workers. House passes Secure Act in May. . . . Employee Benefit Research Institute reports 40.6 percent of U.S. households where the head of household is ages 35 to 64 will run short of money in retirement, a slight improvement from 2014.

The economic downturn of the late 1970s and early ’80s brought high inflation and unemployment along with depressed wages. When coupled with a declining birth rate and increasing life expectancy, these trends created new jeopardy for the long-term financial health of the Social Security program. The situation was such that the fund was projected to be depleted within the decade.<sup>61</sup>

In response, Republican President Ronald Reagan in 1981 formed a National Commission on Social Security Reform that had the task of finding a financially viable and bipartisan way to overhaul the program. The commission’s recommendations formed the basis of a reform package passed by Congress in 1983. Changes included speeding up a previously scheduled payroll tax rate increase for employers and employees, boosting payroll taxes for the self-employed and delaying the effective date of the COLAs each year. The most significant change was a gradual increase in the age of eligibility for receiving full benefits from 65 to 67 by 2027.<sup>62</sup> (Those retiring before that age are paid a reduced monthly benefit.) Goss, the program’s chief actuary, says the long phase-in was beneficial because it gave Americans more time to plan.

While the 1983 package slowed the financial erosion of the program, it was not a permanent solution. Presidents and members of Congress since then have continued to offer proposals for addressing the program’s stability, but few have attracted bipartisan support.

For example, in 2005, Republican President George W. Bush proposed that the system be partially privatized by allowing wage earners to put part of their Social Security taxes in a personal retirement account rather than paying them into the system. Economists warned that the plan could have unintended consequences, including lower living standards for many retirees due to fluctuating stock market returns and benefit reductions for current retirees because of reduced revenue going into the system. Congressional Republicans could not come to a consensus on the plan, Democrats were firmly opposed and public polling showed a general distaste for the idea. Bush’s proposal died without ever coming to a vote in Congress.<sup>63</sup> Subsequent Congresses also have been unable to unite around a plan to ensure benefits last in perpetuity.

### Rise of 401(k)s and IRAs

Social Security was intended to serve as one component of a robust retirement financial plan that also included a defined-benefit pension and individual retirement savings. Congress passed laws in the 1970s that expanded opportunities for saving by creating tax-advantaged retirement savings vehicles, including the IRA and 401(k).

In 1974, the ERISA set minimum standards for private-sector pension plans to protect individuals participating in those plans from losing their benefits in

# Some States Grapple with Underfunded Pension Funds

*Analysts blame low contributions, poor investment returns.*

If any state symbolizes the problem of unfunded pension liability, it would be Illinois.

After decades of can-kicking, that state in 2017 achieved an unwanted distinction: a 6-1 ratio of pension liabilities to revenue that was the greatest ever recorded, and almost six times the national average.<sup>1</sup>

Experts blamed the situation on a combination of factors, including a decision to spend on state services instead of funding pension benefits, benefit levels guaranteed under the state constitution, generous early-retirement eligibility, minimal worker contributions and an automatic 3 percent cost-of-living adjustment for all employees hired prior to 2011, regardless of the actual rate of inflation.<sup>2</sup>

The ballooning pension deficit led to a downgrade of the state's credit to a notch above junk status, which increases the government's borrowing costs and makes investments in services more difficult.<sup>3</sup> Illinois has made some attempts to shore up the finances of its five pension systems covering state workers, teachers, university employees, judges and lawmakers through benefit cuts and an increase in employee contributions—but most were struck down by the courts as unconstitutional. The Illinois Constitution stipulates that pension benefits “shall not be diminished or impaired” for current employees.<sup>4</sup>

For all its problems, Illinois is not alone; state pension plans are in trouble across the country. The gap between how much money those plans have on hand and how much they owe retirees has been growing for years, and many plans are on what the Pew Research Center, a Washington think tank, called “an unsustainable course.” In 2016, states had \$4 trillion in pension benefit obligations but just \$2.6 trillion in assets, according to Pew. That year marked the 15th annual increase in pension shortfall since 2000, and a \$295 billion increase over the 2015 deficit.<sup>5</sup>

The situation improved a bit in 2017, as a median nationwide measure of the extent to which states' pension liabilities were covered by assets rose to 73.7 percent from 71 percent the previous year, according to an analysis by Bloomberg News. But a majority of states were in worse shape than they were in 2015, Bloomberg found.<sup>6</sup>

A number of factors were to blame, experts said, including a failure by many states to set aside enough money to fund pension plans, inaccurate assumptions about investment returns, uncapped benefit growth and the aftereffects of the 2007-09 recession.<sup>7</sup>

The impact of the recession can be seen in the fact that in the year before it began, the median level of pension liabilities covered by assets was 92 percent, according to Wilshire, a global consulting firm. Despite years of strong stock market growth since the recession, pension returns have not kept pace with broader investment returns. “We have had several years of stellar [stock market] returns and it barely improved the underfunding situation,” said Mikhail Foux, a municipal credit analyst at Barclays, a multinational investment bank.<sup>8</sup>

The underfunding of state pension plans can have a wide-ranging impact. In Illinois' case, high liabilities resulted in more than a dozen credit downgrades that increased borrowing costs and forced the state to either pay more for projects such as infrastructure upgrades or forgo them altogether. And because many states have laws in place that protect pension benefits, they may need to freeze wages, slow hiring, make budget cuts or raise taxes.<sup>9</sup>

States that remain well-funded despite economic downturns and stock market fluctuations have several things in common, according to a study by the National Institute on Retirement Security, another Washington think tank. These include pension contributions paid in full and up front by both employers and employees, reasonable actuarial assumptions and control over the timing and size of cost-of-living adjustments.<sup>10</sup>

Pension plans in only seven states—Idaho, Nebraska, New York, North Carolina, South Dakota, Utah and Wisconsin—were funded at 90 percent or more in 2017, according to Bloomberg.<sup>11</sup> The Wisconsin Retirement System, which covers state government and university employees, teachers and many municipal workers, has long been the best funded in the nation, with a funded ratio at or above 100 percent, meaning that the state has enough assets to cover its pension obligations.

Wisconsin relies on risk-sharing among workers, retirees and the state.<sup>12</sup> Before 2011, the state and municipal employers paid the employer share of the pension contribution and most of the employee contribution. Since then, changes instituted at the behest of former Republican Gov. Scott Walker resulted in pension contributions divided equally between employers and employees.<sup>13</sup> The legislation sparked large, union-backed protests and resulted in a sharp drop in bargaining power and union benefits. Every year, state officials recalculate these contributions and the annual cost-of-living increase based on current investment returns, life expectancy and other factors.<sup>14</sup> Retiree benefits drop in bad financial climates and increase in good ones, with any changes in payouts averaged over five years.

States with the most troubled pension plans in 2017 included Illinois (38.4 percent funded), New Jersey (35.8 percent funded) and Kentucky (33.9 percent funded), according to Bloomberg.<sup>15</sup>

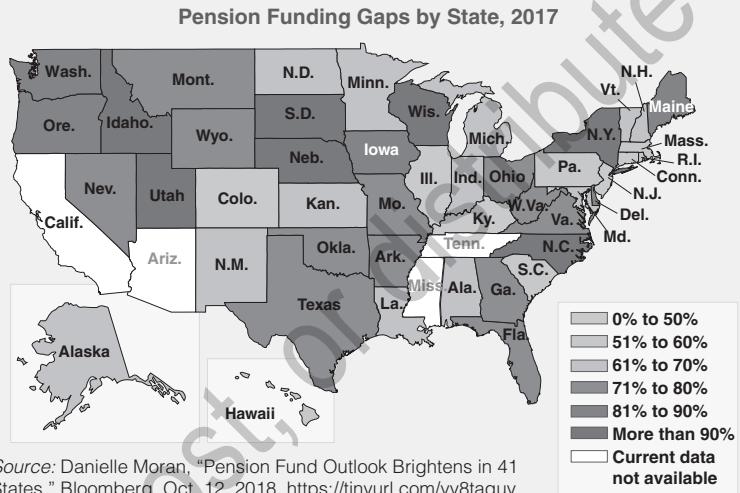
These states and others with poorly funded plans have pursued various means to better balance their assets with their payment obligations. In 2017, New Jersey made a controversial decision to shift ownership of its \$13.5 billion state lottery to three of its pension funds, replacing a portion of the state's pension liability with lottery revenue.<sup>16</sup>

Many analysts view this as an accounting gimmick rather than a long-term solution, according to Liz Farmer, public finance reporter for *Governing*, a national monthly magazine covering state and local governments. However, "this idea of capitalizing off state-owned assets is probably the best and safest idea for pension funds that need some silver bullet," Farmer says.

Illinois is considering a similar strategy. In February, newly elected Democratic Gov. J.B. Pritzker created task forces to look into transferring state real estate assets to the pension fund portfolio and consolidating the state's funds to reduce administrative expenses.<sup>17</sup>

### State Pension Funds Improve But Still Face Gap

The financial condition of public-employee state pension funds improved slightly between 2016 and 2017, with the median percentage of a state's pension liabilities covered by current assets rising from 71 percent to 73.7 percent, according to a Bloomberg analysis. All but five states had at least half of the assets needed to cover pension liabilities. Kentucky, with only a third of the assets needed, had the largest funding shortfall.



Kentucky's state Supreme Court in December struck down a law that would have reduced pension benefits for



Bill Pugliano/Getty Images

Teachers and their supporters protest legislation that would cut state employees' pension benefits at the Kentucky state Capitol in Frankfort in April 2018. The state Supreme Court struck down the measure in December 2018.

*(Continued)*

(Continued)

teachers and other state employees, saying legislators violated Kentucky's Constitution by rushing the bill to a final vote without the required number of public readings.<sup>18</sup>

According to union officials, these benefit cuts could lead to the loss of good employees. "People depend on a pension system to really give that stability and if you take that away, especially midstream, you're really causing more damage than help," Ron Richmond, a union representative from the American Federation of State, County and Municipal Employees, said.<sup>19</sup>

Other states and municipalities have passed pension laws similar to the one struck down in Kentucky, hoping they will pass muster in court.

In California, a legal precedent known as the "California Rule," which holds that the pension benefit in place when a public-sector worker is hired is the benefit that individual is guaranteed for life, has restricted governments' maneuvering room.

The state Supreme Court in March ruled that the state was within its rights when it ended an option for public employees to increase their pensions by paying a fee to add years of service. The court did not rule on the legality of the California Rule.<sup>20</sup>

A second case pending before the same court offers another opportunity for a broader decision on the California Rule. The case involves whether a county pension system may exclude certain types of pay from an employee's final compensation calculation, which determines the level of benefits received in retirement. A lower court had ruled that the exclusion was allowed.<sup>21</sup>

— Heather Kerrigan

<sup>1</sup> "Moody's—Unfunded US state pension liabilities surge in fiscal 2017 due to poor investment returns," Moody's, Aug. 27, 2018, <https://tinyurl.com/y3uehww9>.

<sup>2</sup> Elizabeth Bauer, "Three Steps To Fixing Illinois' Pension Crisis," *Forbes*, Feb. 26, 2019, <https://tinyurl.com/y2883vps>; Jourlande Gabriel and Chrissy A. Mancini, "The Illinois Public Funding Crisis: Is Moving from the Current Defined Benefit System to a Defined Contribution System an Option That Makes Sense?" Center for Tax and Budget Accountability, accessed May 30, 2019, <https://tinyurl.com/y3jso6ur>; and Julie Bae and Jerry Lazzara, "Special Pension Briefing," Commission on Government Forecasting and Accountability, November 2017, <https://tinyurl.com/y4uszpdj>.

<sup>3</sup> Adam Schuster, "Moody's: Illinois Pension Debt-to-Revenue Ratio Hits All-Time High For Any State," *Illinois Policy*, Aug. 31, 2018, <https://tinyurl.com/y6drsfgw>.

case a plan ran into financial difficulty. The law also authorized creation of IRAs.

Four years later, Democratic President Jimmy Carter signed the Revenue Act of 1978, amending the IRS code to add section 401(k).<sup>64</sup> Originally intended to limit executive compensation, the section allowed employees to receive a set portion of their income as deferred compensation, initially avoiding having to pay tax on those earnings. It opened the door for creation of tax-deferred retirement savings vehicles.

Ted Benna, a benefits consultant for The Johnson Cos., set the process in motion by seeking to use the language of the section to establish a program for employees of the company to set aside "pre-tax" money in a retirement account that would be matched by the employer.<sup>65</sup> In 1981, the Internal Revenue Service issued rules allowing companies to fund these 401(k) plans, as they became known, through individual payroll

deductions.<sup>66</sup> The plans are attractive to many wage earners because they pay no income tax initially on money put in a 401(k); tax is paid when the funds are withdrawn, by which time the individual typically has retired and is therefore in a lower tax bracket.

Within two years, nearly half of all large U.S. employers were either offering or considering offering their employees a 401(k).<sup>67</sup> In a 2012 interview, Benna said that he knew the 401(k) "was going to be big, but I was certainly not anticipating that it would be the primary way people would be accumulating money for retirement 30 plus years later."<sup>68</sup>

As the program grew in popularity, Congress passed legislation that continued to expand its use. In 1996, the Small Business Job Protection Act created a simplified 401(k)-style plan for small businesses to offer their employees.<sup>69</sup> In 1997, the Taxpayer Relief Act created the Roth IRA, a retirement savings account

<sup>4</sup> Rick Pearson and Kim Geiger, “Illinois Supreme Court rules landmark pension law unconstitutional,” *Chicago Tribune*, May 8, 2015, <https://tinyurl.com/y4xrdy8k>.

<sup>5</sup> “The State Pension Funding Gap: 2016,” Pew Charitable Trusts, April 12, 2018, <https://tinyurl.com/yxhkctha>.

<sup>6</sup> Danielle Moran, “Pension Fund Outlook Brightens in 41 States,” *Bloomberg*, Oct. 12, 2018, <https://tinyurl.com/yy8taquy>.

<sup>7</sup> “The Underfunding of State and Local Pension Plans,” Congressional Budget Office, May 2011, <https://tinyurl.com/y2etroct>.

<sup>8</sup> Karen Pierog and Daniel Bases, “Battered by Great Recession, underfunded public pensions persist,” *Reuters*, March 26, 2018, <https://tinyurl.com/yy1wk4wr>.

<sup>9</sup> Laura D. Quinby, Geoffrey T. Sanzenbacher and Jean-Pierre Aubry, “How Have Pension Cuts Affected Public Sector Competitiveness?” Center for Retirement Research at Boston College, April 2018, <https://tinyurl.com/y237wuwv>; Thomas Haas, Rick Mattoon and Thomas Walstrum, “How Should the State of Illinois Pay for its Unfunded Pension Liability? The Case for a Statewide Residential Property Tax,” Federal Reserve Bank of Chicago, May 7, 2018, <https://tinyurl.com/yxelxr56>.

<sup>10</sup> Jun Peng and Ilana Boivie, “Lessons from Well-Funded Public Pensions: An Analysis of Six Plans that Weathered the Financial Storm,” National Institute on Retirement Security, June 2011, <https://tinyurl.com/y4tavaz3>.

<sup>11</sup> Moran, *op. cit.*

<sup>12</sup> “Our Wisconsin Retirement System: Strong for Wisconsin,” Wisconsin Department of Employee Trust Funds, accessed April 22, 2019, <https://tinyurl.com/y2s9nhh9>.

<sup>13</sup> Tom Kertscher, “Scott Walker says union reform law that brought massive protests has saved taxpayers \$3 billion,” *Politifact*, Aug. 20, 2014, <https://tinyurl.com/y4fwkjfx>.

<sup>14</sup> Daniel Schmidt, “2017-18 Comparative Study of Major Public Employee Retirement Systems,” Wisconsin Legislative Council, February 2019, <https://tinyurl.com/y67tq6vx>.

<sup>15</sup> Moran, *op. cit.*

<sup>16</sup> “New Jersey (State of)—State lottery transfer to pensions sets contribution floor, is slightly credit positive,” Moody’s Investors Service, Aug. 11, 2017, <https://tinyurl.com/y4awnscs>.

<sup>17</sup> Elizabeth Bauer, “Illinois Is Still Not Serious About Pension Funding,” *Forbes*, Feb. 13, 2019, <https://tinyurl.com/y48mmho8>.

<sup>18</sup> John Cheves, Daniel Desrochers and Jack Brammer, “‘Landmark win for every teacher.’ Kentucky Supreme Court strikes down pension law,” *Lexington Herald-Leader*, Dec. 13, 2018, <https://tinyurl.com/y5zly4tr>.

<sup>19</sup> Heather Fountaine, “Union members react to possible pension cuts during Labor Day picnic,” WHAS11, Sept. 4, 2017, <https://tinyurl.com/y67xkxau>.

<sup>20</sup> Heather Gillers, “California Court Approves Retiree Cut but Keeps Larger Worker Protections in Place,” *The Wall Street Journal*, March 4, 2019, <https://tinyurl.com/y6y7qae9>.

<sup>21</sup> Richard Halstead, “Oral arguments heard in key pension rights case affecting Marin,” *Marin Independent Journal*, Dec. 5, 2018, <https://tinyurl.com/yxhbuswj>.

that allows for contributions to be made after paying taxes on the funds and tax-free withdrawal later on; this is attractive to people who expect to be in a higher tax bracket in later years.<sup>70</sup>

In 2001, Congress again expanded the use of 401(k) plans through the Economic Growth and Tax Relief Reconciliation Act to allow plan participants over age 50 to make larger “catch up” contributions. It also created Roth 401(k)s. The “sidecar IRA,” a Roth IRA coupled with an employer-sponsored retirement plan that has the added benefit of allowing an individual to pool Roth IRA investments in the employer’s plan, was also born out of the 2001 law.

The Pension Protection Act of 2006 enabled more employers to automatically enroll their workers in 401(k) plans. Employees were allowed to opt out, but the expectation was that automatic enrollment would boost overall participation and, subsequently, individual retirement savings.

## Declining Pensions

Congress did not intend for plans created under section 401(k) to replace the traditional pension.<sup>71</sup> But the plans took off in popularity. By 1996, assets in 401(k) plans topped \$1 trillion.<sup>72</sup> The shift to these defined-contribution plans was attractive to employers because, unlike a traditional pension program, they required no long-term investment by employers to ensure payouts could be made as employees entered retirement.

The defined-contribution plans quickly supplanted pensions. According to the federal Bureau of Labor Statistics, in 1993-94, 56 percent of private-sector workers and 91 percent of state and municipal employees were participating in traditional defined-benefit pension plans. By 2018, only 14 percent of private-sector workers and approximately three-quarters of public-sector workers were participating in such plans.<sup>73</sup>

# Millennials Fall Behind on Retirement Savings

*Largest generation may spend more years working.*

**K**atie Rucke Utterback wants to save for retirement. But the obstacles—including monthly rent of \$2,500 and \$9,000 in credit card debt—are formidable.

The 29-year-old writer for a San Diego credit counseling agency said she contributes the maximum to her retirement account to get the employer match, always eats meals at home and keeps entertainment spending low—and yet “I personally feel that I’m behind.” Between two retirement accounts, she has saved around \$2,000. “Not even one month’s salary,” she said.<sup>1</sup>

Millennials, the generation born between 1981 and 1996, are now the largest age group in the U.S. labor force, at 35 percent.<sup>2</sup> But they are facing a different economic reality than previous generations. As Utterback put it, “It feels like we’re having to make decisions that our parents didn’t have to make.”<sup>3</sup>

Those who graduated from college between 2002 and 2012 began looking for jobs either soon after the dot-com bubble burst in 2000, or during or shortly after the 2007-09 financial crisis.<sup>4</sup> Many Millennials began their working lives in part-time positions or in gig-economy jobs that often offer weak retirement benefits or none at all.<sup>5</sup>

As a result, Millennials have earned and accumulated less wealth than previous generations at the same age, and may never fully catch up, according to data outlined in a recent *Wall Street Journal* story.<sup>6</sup>

With saving for retirement so difficult, many Millennials may face the prospect of working into their late 60s or their 70s, or may be forced to significantly pare back expectations for their post-working years, experts say.

Financial advisers recommend that Millennials set aside at least 10 to 15 percent of their annual pretax income for

retirement, a higher percentage than previous generations required. They say they offer this advice because Millennials are likely to live longer than their parents, may not collect full Social Security benefits and are more likely than previous generations to work in the gig economy.

But only 31 percent of Americans between ages 22 and 35 said they were saving for retirement, with an average of \$32,818 saved, according to a 2017 report from student loan servicer Navient.<sup>7</sup>

Some studies have found that Millennials, often stereotyped as poor savers, are just as good if not better than previous generations at setting aside money.<sup>8</sup> But they tend to save for shorter-term goals than retirement, such as buying a home, paying down student loans or other debts, or saving for a vacation.<sup>9</sup>

Although two-thirds of Millennials now work for a company that offers a retirement savings plan, only about one-third participate, according to the National Institute on Retirement Security, a Washington think tank. Millennials cite eligibility requirements, such as the need to work a minimum number of hours or have a minimum number of years of tenure, as reasons for low participation.<sup>10</sup>

In addition to having less access than previous generations to a workplace retirement plan, Millennials are less likely to own a home, in itself a valuable retirement asset, and are more likely to have student loan debt that takes priority over saving for retirement, said Alicia Munnell, director of the Center for Retirement Research at Boston College.

But those challenges “are not insurmountable—as long as Millennials are willing and able to work longer than their parents and grandparents did,” Munnell said. She said

The shift introduced the inherent problem of these retirement accounts: Most people do not have an in-depth understanding of the best way to invest their retirement savings for maximum growth. Moreover, stock market declines, especially during recessions, can badly hurt the value of a 401(k) or IRA.

Congress attempted to address the knowledge problem through the Pension Protection Act by giving employers the opportunity to place their employees’ retirement savings into so-called target-date funds, which take some of the guesswork out of investments by regularly adjusting how an individual’s assets are allocated

spending more years in the workforce has advantages that include higher Social Security benefits on retirement (76 percent greater when claiming benefits at 70 rather than at 62), additional 401(k) assets for those with access to such a plan and a shorter retirement period to finance.<sup>11</sup>

A study by the insurance company Aon found that 85 percent of Millennials may not be financially able to retire by 67, the age when they become eligible to draw Social Security without incurring a reduced benefit.<sup>12</sup>

In addition to making plans to work longer, retirement experts recommend that Millennials take these steps to prepare for a financially secure retirement:

- Set aside as much money as possible, either through an employer or in an individual retirement account (IRA). Millennials working for a company that matches contributions to a retirement plan should contribute enough to get the maximum employer match.

- Consider investing in a Roth IRA, which may be a particularly attractive option. Contributions to a Roth IRA are made with after-tax dollars, when an individual may be in a low tax bracket and therefore would not get as much benefit from a tax deduction. And Roth IRA contributions can be withdrawn tax-free and without penalty after five years, even prior to retirement. (The earnings on investments in a Roth IRA can be withdrawn tax-free after age 59½).

- Have retirement savings automatically withdrawn from each paycheck. Experts say this reduces the tendency to spend that money elsewhere.

- Regularly increase the amount of those withdrawals. Some employers' retirement savings plans do this automatically to adjust for salary increases. As an alternative, Millennials should annually recalculate how much to deduct from their pay to finance their retirement.

What's most important is to begin saving early, no matter what the amount. If someone puts \$5,000 per year into a Roth IRA beginning at age 25, the saver will have more than \$1.5 million by age 70, assuming a 7 percent annual return on investment, said Ed Slott, an accountant and retirement

adviser. Wait until age 45 to begin saving the same amount, and the total at age 70 would be only \$338,000.<sup>13</sup>

Retirement planning author Wade Pfau says the most important thing a Millennial can do is “just get started. If you can save 10 to 15 percent of your salary, that may seem high, but that should put you on good footing to meet your goals.”

— Heather Kerrigan

<sup>1</sup> Jill Cornfield, “Millennials are at risk of having to work into their 60s and 70s,” CNBC, Dec. 12, 2018, <https://tinyurl.com/yaa3scvt>.

<sup>2</sup> Richard Fry, “Millennials are the largest generation in the U.S. labor force,” Pew Research Center, April 11, 2018, <https://tinyurl.com/yylgxtm>.

<sup>3</sup> Cornfield, *op. cit.*

<sup>4</sup> Alicia Munnell, “Millennials and retirement: How bad is it?” *Politico*, June 7, 2018, <https://tinyurl.com/yapcw3na>.

<sup>5</sup> Tom Seidenstein and Sarah Shahdad, “More People Work in the Gig Economy Than You Might Think—and Many Want to Own Homes,” *Fannie Mae*, Dec. 5, 2017, <https://tinyurl.com/y7c7yrkp>.

<sup>6</sup> Janet Adamy and Paul Overberg, “‘Playing Catch-Up in the Game of Life.’ Millennials Approach Middle Age in Crisis,” *The Wall Street Journal*, May 19, 2019, <https://tinyurl.com/y4rvphr6>.

<sup>7</sup> “Money Under 35,” Navient, September 2018, <https://tinyurl.com/y55w5pcl>.

<sup>8</sup> Alix Langone, “This Chart Shows How Much Millennials, Gen X and Baby Boomers Have Saved for Retirement. See How You Compare,” *Money*, April 3, 2019, <https://tinyurl.com/y5ebbtjg>.

<sup>9</sup> “Money Under 35,” *op. cit.*

<sup>10</sup> Jennifer Erin Brown, “Millennials and Retirement: Already Falling Short,” National Institute on Retirement Security, February 2018, <https://tinyurl.com/y795ga9b>.

<sup>11</sup> Munnell, *op. cit.*

<sup>12</sup> “Are Your Employees Ready for Retirement?” Aon, accessed April 22, 2019, <https://tinyurl.com/yyyywa2q>.

<sup>13</sup> Annie Nova, “This math made me realize I needed to start saving for retirement now,” CNBC, updated Feb. 15, 2019, <https://tinyurl.com/ya492wlj>.

based on how long that person has before retirement. That was of little help during the 2007-09 recession when 401(k)s and IRAs suffered massive losses.

On average, in 2008 individuals experienced a 14 percent decrease in retirement savings, according to Hewitt Associates, a financial consulting firm.<sup>74</sup> When

the stock market hit bottom in the first quarter of 2009, IRAs and 401(k)s had lost \$2.7 trillion in value, or 31 percent, since their peak in 2007, according to the Urban Institute, a Washington research organization.<sup>75</sup> Although financial markets and economic growth picked up between 2009 and 2011, those gains did not translate



Bill Pugliano/Getty Images

Protesters in Tucson, Ariz., register their objections to President George W. Bush's plan to partially privatize Social Security in 2005. Bush's proposal would have allowed workers to divert some of their Social Security tax payments into personal retirement accounts, but it proved unpopular with the public and lawmakers and was never enacted.

into across-the-board improvement in retirement accounts, especially for those ages 51 to 59, said labor economist Ghilarducci.

"Although the average retirement-account balance increased by about 7 percent, about 45 percent of the workers we studied saw their balances decrease by thousands of dollars between the spring 2009 and the fall of 2011," Ghilarducci wrote. "These losses can be even more troublesome than they initially seem: If someone had \$10,000 in 2008 and lost 25 percent of it, they'd need a gain of 33 percent just to stay even. In fact, we found that the average gain was far smaller than what would have been needed to recover from the steep losses in 2008." And, she added, a significant number of people continued to lose money even after the big drops caused by the recession.<sup>76</sup>

The structural changes in the economy precipitated by the recession forced some workers to stay in the labor force longer than expected and also resulted in more part-time, low-wage, and temporary gig-economy jobs. Workers in these positions often do not have access to an employer-sponsored retirement plan of any kind. Studies show that most people without such access either do not save for retirement or fail to save enough.

"People who have a savings plan at work, where they make saving easy for you by deducting it from your paychecks, have higher savings rates than people who don't have a plan at work," said Steve Vernon, a scholar at the Stanford Center on Longevity, a research outlet dedicated to seeking innovation on lifespan issues.<sup>77</sup> Data from AARP, which lobbies on behalf of older Americans, similarly finds that individuals are 15 times more likely to save if they have an employer-sponsored plan.<sup>78</sup>

## CURRENT SITUATION

### Renewed Congressional Interest

A number of retirement proposals are under consideration in the 116th Congress, and some experts believe the prospects for action are increasing. "They're a lot closer than last year because there are actually bills introduced," says Ghilarducci. "They're a lot bolder than we saw in the Obama administration. They're closer than they have been in 25 or 30 years."

One recently introduced bill is the Social Security 2100 Act, sponsored by Rep. John Larson, D-Conn. The measure would increase benefits for all current and future Social Security recipients and cut the federal income taxes paid on Social Security benefits for many seniors. It also seeks to ensure solvency for the Social Security system through the year 2100. To fund benefit increases, Larson proposes making earnings above \$400,000 subject to the payroll tax. (Wages above the current cap of \$132,900 but less than \$400,000 would remain exempt.) According to Larson, this would affect less than 1 percent of wage earners. He also proposes gradually increasing the payroll tax rate to 7.4 percent by 2043; he says this will cost the average worker just 50 cents a week in additional tax.<sup>79</sup>

Larson introduced the bill in two previous Congresses, but with the House in Republican hands it never made it to the floor. Democrats hope that their House majority

in the current Congress will enable passage. “This bill, which is one of the most important that will be introduced in this Congress, will now have a chance to be considered and debated,” said Sen. Chris Van Hollen, D-Md., who introduced companion legislation in the Senate.<sup>80</sup>

But the Heritage Foundation’s Greszler says the bill is likely to be a nonstarter in the Senate, where Republicans still hold control and increasing taxes is unpopular. When Larson’s bill came up for a hearing, Republicans argued that the best way to strengthen Social Security was to increase wages and employment, and some witnesses said the legislation would harm small businesses.<sup>81</sup>

### Secure Act

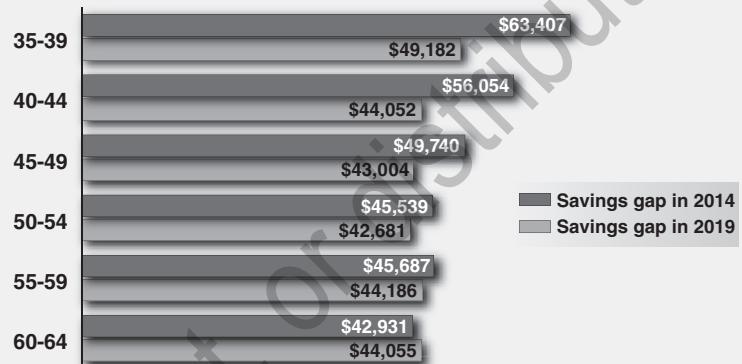
Another proposal, the Secure Act, has four primary components, all intended to improve access to retirement accounts and encourage small businesses to provide retirement benefits to their workers:

- Allowing workers to contribute to IRAs past age 70½ and push back to 72 the age at which required minimum distributions must be taken from IRAs and 401(k)s. (Under current law, holders of traditional IRA and most 401(k) accounts must begin to make minimum withdrawals, and pay the deferred tax on that money, in the year after they reach 70½.) Sponsors of the bill say increasing the age at which the distributions must be taken reflects the reality that many people are working and living longer and should be afforded an opportunity to continue saving if they wish.<sup>82</sup>
- Increasing from 10 percent to 15 percent the limit on auto-escalation of 401(k) contributions.
- Allowing small businesses the opportunity to work together to start multiple-employer 401(k) plans and receive tax credits of up to \$500 for utilizing auto-enrollment.

### Younger Workers Better Prepared for Retirement

For working adults ages 35 to 39, the average retirement savings gap—the difference between what they have saved and what they will need in retirement—shrank by 22 percent from 2014 to 2019, according to the Employee Benefit Research Institute, a Washington think tank that studies economic security issues. During the same period, the gap for adults closest to retirement, ages 60 to 64, grew 2.6 percent. The data reflect the average for all adults in an age group, including those who will not face a deficit as well as those who will; when only those who have a savings gap are measured, the average gap is greater.

Average Retirement Savings Deficits by Age Group, 2014 and 2019



Source: Jack VanDerhei, “Retirement Savings Shortfalls: Evidence From EBRI’s 2019 Retirement Security Projection Model,” Employee Benefit Research Institute, March 7, 2019, Figure 2, <https://tinyurl.com/y69bogdq>

- Giving part-time workers with at least 1,000 hours worked during the year (or at least 500 hours per year for three consecutive years) access to their employer’s retirement benefits.<sup>83</sup>

The bill was unanimously backed by the House Ways and Means Committee in April and won full House passage on May 23, 2019, by a 417–3 vote.<sup>84</sup> It will move to the Senate, where a similar bill, the Retirement Enhancement and Savings Act, or RESA, is under consideration.

### Savings Act Debated

The Senate’s RESA bill would make it easier for small businesses to offer defined-contribution plans by allowing multiple employers to participate while maintaining separate accounts in order to share the administrative burden and pool investments. RESA also would make retirement plans more portable and encourage saving through auto-escalation of 401(k) plans and regular notices to employees about how their retirement savings

## A T I S S U E

## Is the retirement crisis real?

**YES****Dan Doonan***Executive Director, National Institute on Retirement Security*

Written for CQ Researcher, June 2019

If the U.S. retirement infrastructure were adequate, Americans would be in a strong position for retirement, given that the U.S. economic expansion is approaching 10 years. Low unemployment combined with a rising stock market means Americans should be financially on track for their golden years. However, a troubling reality emerges when you take a deeper look at our retirement readiness.

Consider this: U.S. Census Bureau data reveal that the median retirement account balance among all working individuals is \$0.00. Meanwhile, 57 percent of working-age Americans—more than 100 million people—have no retirement account assets in an employer-sponsored 401(k)-type plan or an individual retirement account.

For those nearing retirement, it's not much better. Some 68 percent of individuals ages 55 to 64 have retirement savings amounting to less than their annual income. That may last a retiree a few years after dramatically cutting spending, but it certainly won't last for decades.

This challenge will grow more difficult for future generations, such as Millennials. Most Millennials (66 percent) have nothing saved for retirement, and those who are saving aren't saving nearly enough. Many factors contribute to this problem, including student loans, stagnant wages and lack of eligibility for employer retirement plans.

How did we get here when we once had a strong retirement infrastructure for the middle class? There are a multitude of reasons. Fewer corporations offer pension plans, which are the most cost-efficient way to provide retirement income that won't run out. Many private-sector pensions have been replaced by do-it-yourself 401(k) plans that were originally intended to supplement pensions. But decades of experience show that these plans just can't do the job on their own. And then there is Social Security, where the last round of benefits cuts—a result of raising the retirement age—is still being phased in. On top of these factors, only half the workforce has access to an employer-sponsored retirement plan.

Rising expenses during retirement further complicate matters. We're living longer, which raises costs. Also, both health care and long-term care costs are growing faster than wages.

The bottom line is that the retirement challenge will continue growing until we decide to seriously address it. Major trends are moving in a direction that will require future generations to dedicate more resources toward retirement. And when Americans can't be self-sufficient in their later years, they'll have no choice but to turn to family and/or government for help.

**NO****Andrew Biggs***Resident Scholar, American Enterprise Institute*

Written for CQ Researcher, June 2019

The retirement crisis is everywhere. You see it in the media, on the internet and in claims from activist groups, who want to expand Social Security and enroll workers in retirement plans run by state governments. Where you don't see the retirement crisis is in the economic data or, more importantly, in retirees' lives.

Despite all the crisis talk, poverty rates among seniors have dropped dramatically, from 9.7 percent in 1990 to only 6.7 percent in 2012, according to recent Census Bureau research. Other research, co-authored by economists from the Internal Revenue Service, finds that typical retirees have incomes close to 100 percent of their preretirement earnings, far above the 70 percent "replacement rate" that financial planners recommend. Retirees' incomes, rich and poor alike, have been rising faster than working-age households' incomes.

Perhaps most importantly, retirees will simply tell you they're doing OK. Eight in 10 retirees tell Gallup they have "enough money to live comfortably." In a Federal Reserve survey, only 6 percent say they "find it hard to get by."

But what about the future? The short story is that more Americans are saving more for retirement than ever before. Retirement plan participation is up, from about 43 percent in the 1970s heyday of traditional pensions to 61 percent today. Retirement plan contributions as a percentage of workers' wages are up by nearly one-third, according to U.S. Department of Labor data. And Federal Reserve figures show that retirement plan assets are six times greater today than when traditional pensions roamed the Earth. Despite pictures of Americans as poor savers, the United States has significantly larger retirement funds than the typical developed country.

We're also working longer. Despite claims that Americans can't delay retirement, due to poor health, age discrimination or lack of jobs, the average retirement age has increased by 2.4 years over the past two decades. And that's not because Americans can't afford to retire. In fact, they're retiring with the highest incomes ever.

More savings. Rising incomes. Falling poverty. That's not a crisis, it's a success story.

Are there challenges? Of course. We need to fix Social Security, which Congress has ignored for nearly three decades. We also must expand access to 401(k)s so every employee who needs to save can do so. But these are steps to maintain and build on our successes. So long as we keep at it, we don't have a retirement crisis to worry about.

could grow. And it encourages more employers to make it possible for employees to invest in annuities, which offer a periodic guaranteed payment, or another lifetime income plan.<sup>85</sup>

RESA is currently before the Senate Finance Committee. Some Senate Republicans are discussing adding provisions that were dropped from the House version of the bill, such as one allowing people to pay for home-schooling expenses through tax-advantaged education savings accounts, *The Wall Street Journal* reported. As a result, quick enactment of the legislation by both chambers appears unlikely, according to *The Journal*.<sup>86</sup>

### **Saving for the Future Act**

Another piece of legislation seeks to help the estimated 49 million American workers who do not currently participate in a retirement plan. The Saving for the Future Act, offered by Democratic Sens. Chris Coons of Delaware and Amy Klobuchar of Minnesota and Democratic Reps. Lisa Blunt Rochester of Delaware, Scott Peters of California and Lucy McBath of Georgia, is based on the idea of making the auto-IRA a national idea.

Under their plan, businesses with 10 or more employees would contribute a set amount (50 cents on implementation, rising to 60 cents after two years and then tied to wage growth) per hour worked by the employee. Businesses with fewer than 100 employees would place this payroll deduction into a Universal Personal (UP) account administered by the federal government. Employers with 100 or more full-time equivalent employees would place these funds in an employer-sponsored account. The plans would be portable, able to be moved by the worker from employer to employer, without a requirement to move the funds to a rollover account.<sup>87</sup>

The program would apply to both full- and part-time workers, and the cost to employers would be partially offset through a tax credit. Independent contractors or those working for businesses with fewer than 10 employees would be able to participate on an individual basis and would also receive a tax credit for saving. To pay for the plan, Coons and Klobuchar propose increasing the tax rate on business profits from 21 percent to 23 percent and the top individual income tax rate from 37 percent to 39.6 percent.<sup>88</sup>

### **State Action**

States also are trying to help more people save for retirement. According to the Georgetown University Center for Retirement Initiatives, “Since 2012, at least 43 states have acted to implement a new program, undertake a study of program options or consider legislation to establish state-facilitated retirement savings programs.”<sup>89</sup>

Oregon led the way in 2017, becoming the first state to implement an auto-IRA for employees whose employer otherwise does not offer a retirement savings vehicle. A December report from the Center for Retirement Research found that 62 percent of workers with access to the program during the first wave of enrollment were contributing, while 33 percent had opted out, saying they could not afford to participate, had access to another retirement plan, or did not want to save with their current employer.<sup>90</sup>

California, Connecticut, Illinois, Maryland, New Jersey and the city of Seattle followed Oregon’s lead in setting up their own auto-IRAs. “Some of us think this is going to revolutionize retirement savings,” says Joshua Gorbaum, a former assistant Treasury secretary who is now a guest scholar at the Brookings Institution, a centrist Washington think tank.

Some of these state programs have faced court challenges. CalSavers, the California plan that could cover seven million workers, survived a court challenge when a federal district judge in March dismissed a suit alleging that federal pension law prevented the state from acting.<sup>91</sup>

## **OUTLOOK**

### **Crisis Looming?**

Many experts agree that the status quo is not workable in the long run, but some worry that the retirement system’s various problems are not getting the attention they deserve, especially from policymakers.

“I think it is one of the most important issues that somehow doesn’t rise to a priority level,” says the Aspen Institute’s Rademacher. “We talk about it as a chronic ailment we have, but not an acute one,” she adds, cautioning that “the faults in the system are going to start becoming more visible.”

Rademacher says the early trends already point to large problems for retirees, such as debt, high health care costs, inadequate savings and flat interest rates and return on investment. “We need to do more to get people to act sooner versus later,” Rademacher says.

Ghilarducci, the labor economist, says there is a theory in public policy that to get action on an issue, three things are needed: a road-tested, detailed plan that most experts agree can solve a problem; a moment in history with widespread awareness of the problem and a desire to do something about it; and then a precipitating event. When it comes to retirement, Ghilarducci says, almost everything is there.

“We have the body of knowledge, we have the wave of recognition that there is a crisis,” she says. The only element lacking is a precipitating event. “I don’t know what that will be, but there will be some demonstration that it’s a crisis that is only going to get worse,” she says.

Rademacher agrees: “You do sometimes need a crisis to act.”

The growing recognition of the problem has instilled confidence among experts that a solution is not far off. At the Social Security Administration, Goss sees significant reform for the program on the horizon, especially as the trust fund reaches its 2034 depletion date. “Congress will . . . step up and make changes that speak to the interest of the American people and this program and put us back in good financial order,” he says.

Alicia Munnell, an economist with the Center for Retirement Research who served on the White House Council of Economic Advisers during the Clinton administration, views today’s issues as solvable, if legislators and individuals are willing to put in the work.

“If we keep Social Security benefits at their current level, and we make 401(k) plans work as well as possible, and if we do something for the uncovered like auto-IRAs, and the majority of people work until 70, then I think people will be OK,” Munnell says. “I don’t think this is an impossible task. I think we can do things within the realm of reasonable that will make it easier for people to retire comfortably.”

But, she cautions, “if we don’t do those things, we are going to continue to see half the population not prepared.”

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Cribb, Jonathan, and Carl Emmerson, "Requiring Auto-Enrollment: Lessons from UK Retirement Plans," Center for Retirement Research, March 2019, <https://tinyurl.com/y2lry2mu>.

Two retirement researchers at Boston College say participation in employer-based retirement plans in the United Kingdom surged after the country made enrollment automatic with a choice to opt out.

Oakley, Diane, and Kelly Kenneally, "Retirement Insecurity 2019: Americans' Views of the Retirement Crisis," National Institute on Retirement Security, February 2019, <https://tinyurl.com/y5uj8ceh>.

A research organization that promotes retirement security says Americans want federal officials to do more to help workers prepare for retirement.

**Parker, Kim, Rich Morin and Juliana Horowitz, “Looking to the Future, Public Sees an America in Decline on Many Fronts,” Pew Research Center, March 21, 2019, <https://tinyurl.com/yxcdd4vw>.**

A survey by a Washington research organization finds that most Americans believe seniors will be less prepared for retirement in 30 years than they are today.

**Secunda, Paul M., “Uber Retirement,” University of Chicago Legal Forum, Jan. 9, 2017, <https://tinyurl.com/y2fm66z4>.**

A law professor at Marquette University says gig-economy workers should have access to employer-sponsored retirement plans.

**VanDerhei, Jack, “Retirement Savings Shortfalls: Evidence From EBRI’s 2019 Retirement Security Projection Model,” Employee Benefit Research Institute, March 2019, <https://tinyurl.com/y34qdnr9>.**

A public policy research group predicts that more than 40 percent of Americans between the ages of 35 and 64 will run short of money for retirement.

## THE NEXT STEP

### Gender Differences

**Cheng, Marguerita, “The Gender Earnings Gap and Retirement,” *Forbes*, July 12, 2018, <https://tinyurl.com/yyaejm7w>.**

Women continue to earn less than men despite growing workforce participation, with particularly high disparities in retirement income, according to a 2016 study by the National Institute on Retirement Security.

**Hicks, Coryanne, “Women Can Close the Gender Wealth Gap by Investing,” *U.S. News & World Report*, Jan. 7, 2019, <https://tinyurl.com/y69wzgdB>.**

Women should embrace financial planning and develop clear investing goals to compensate for the gender savings gap as they prepare for retirement and other major life events, says a financial reporter.

**Tompoy, Susan, “How the gender pay gap hurts women’s retirement, 401(k) plans,” *Detroit Free Press*, Jan. 10, 2019, <https://tinyurl.com/y7pk42y6>.**

The wage gap between women and men during their working years morphs into a gender retirement gap, according to the director of income security and senior

counsel for the National Women’s Law Center, a Washington advocacy group.

### Generation Gap

**Frost, Martin, “Generation Gap? What Generation Gap?” *Advisors Magazine*, Aug. 10, 2018, <https://tinyurl.com/y3u9og8f>.**

Millennials, Baby Boomers and Generation X-ers are often defined by their differences, but their approach to investing is actually quite similar, says the CEO of a financial planning group: “They want to grow their money.”

**Horovitz, Bruce, “Barreling Towards Retirement With 10 Years Between Us,” *Forbes*, Feb. 20, 2019, <https://tinyurl.com/yywhnckw>.**

The presence of an age difference in a married couple can create an imbalance in retirement needs and uncertainty over suitable retirement plans, a financial journalist writes.

**Konish, Lorie, “This is how much more you need to save for retirement, based on your age,” CNBC, updated April 8, 2019, <https://tinyurl.com/yxowy3c9>.**

The average amount of money that should be set aside each year for retirement increases with the age of the generation, according to a recently published survey by a global asset management company.

### Savings Abilities

**MacLellan, Lila, “Nearly one third of US employees have dipped into their retirement accounts,” *Quartz at Work*, March 26, 2019, <https://tinyurl.com/y6ybml48>.**

Employees of all ages are using retirement funds to pay off debt or make car and home payments, and 49 percent of American workers are living paycheck to paycheck, according to a survey by the insurer MetLife.

**O’Brien, Sarah, “Americans are more confident about saving for retirement, CNBC survey finds. That doesn’t mean they aren’t worried,” CNBC, April 1, 2019, <https://tinyurl.com/yxghb7q4>.**

Most U.S. adults are confident about their ability to save for retirement, but many worry that home purchases, college education, health expenses and emergencies will strain funds set aside for retirement, according to a CNBC survey.

**O'Connor, Brian**, "The unrealistic expectations of retirement behavior," *BBC*, Jan. 25, 2019, <https://tinyurl.com/yawnb5c4>.

Nearly two-thirds of U.S. Baby Boomers are confident that they can retire comfortably, but many suffer misconceptions about the amount of savings needed to cover health costs and maintain a good lifestyle, says a BBC reporter.

### Social Security

**Backman, Maurie**, "Planning to claim Social Security at 65? You may want to rethink that," *The Motley Fool, USA Today*, Feb. 13, 2019, <https://tinyurl.com/y6f9sm9g>.

The later one waits to claim Social Security benefits, the larger the monthly payout, up until age 70, says a personal finance writer.

**Hulbert, Mark**, "It Might Be Better To Take Social Security at 66 Instead of 70. Here's Why," *Barron's*, Updated May 30, 2019, <https://tinyurl.com/y2tqg3ys>.

Proposals in Washington to restore solvency to Social Security by restricting benefits are creating uncertainty over when to claim benefits, says a financial columnist.

**Miller, Stephen**, "Social Security Uncertainty Threatens Retirement Hopes," *Society for Human Resource Management*, April 26, 2019, <https://tinyurl.com/y2wugbht>.

Employers can help ease employees' uncertainty over the future solvency of Social Security by providing savings education and promoting 401(k) enrollment, says a journalist who writes about compensation and benefits.

## For More Information

**Aspen Institute**, 2300 N St., N.W., Suite 700, Washington, DC 20037; 202-736-5800; [www.aspeninstitute.org](http://www.aspeninstitute.org). Think tank that researches retirement security among other issues.

**Brookings Institution**, 1775 Massachusetts Ave., N.W., Washington, DC 20036; 202-797-6000; [www.brookings.edu](http://www.brookings.edu). Centrist public policy organization that advocates strategies for improving retirement prospects for U.S. workers.

**Center for Retirement Research**, 258 Hammond St., Chestnut Hill, MA 02467; 617-552-1762; <https://crr.bc.edu/>. Research institute at Boston College that studies economic and other issues affecting retirement security.

**Economic Policy Institute**, 1225 I St., N.W., Suite 600, Washington, DC 20005; 202-775-8810; [www.epi.org/research/retirement/](http://www.epi.org/research/retirement/). Left-leaning think tank advocating strategies that protect Social Security and promote fairness in policies affecting retirement.

**Employee Benefit Research Institute**, 1100 13th St., N.W., Suite 878, Washington, DC 20005; 202-659-0670; [www.ebri.org](http://www.ebri.org). Organization that researches policies aimed at supporting and improving employee benefit programs.

**Heritage Foundation**, 214 Massachusetts Ave., N.E., Washington, DC 20002; 202-546-4400; [www.heritage.org](http://www.heritage.org). Conservative think tank that researches retirement and other issues.

**National Bureau of Economic Research**, 1050 Massachusetts Ave., Cambridge, MA 02138; 617-868-3900; [www.nber.org](http://www.nber.org). Public policy organization that analyzes and disseminates research on retirement security and other economic issues.

**National Institute on Retirement Security**, 1612 K St., N.W., Suite 500, Washington, DC 20006; 202-457-8190; [www.nirsonline.org](http://www.nirsonline.org). Organization that researches retirement finances.

**Pew Research Center**, 1615 L St., N.W., Suite 800, Washington, DC 20036; 202-419-4300; [www.pewresearch.org](http://www.pewresearch.org). Think tank that conducts polling, demographic research and analysis on retirement security and other issues.

**Social Security Administration**, 6401 Security Blvd., Baltimore, MD 21235; 410-965-8882; [www.ssa.gov](http://www.ssa.gov). Federal agency that administers the Social Security program.