THE FINANCIAL SECURITY OF OLDER OREGONIANS

Jessie F. Richardson Foundation

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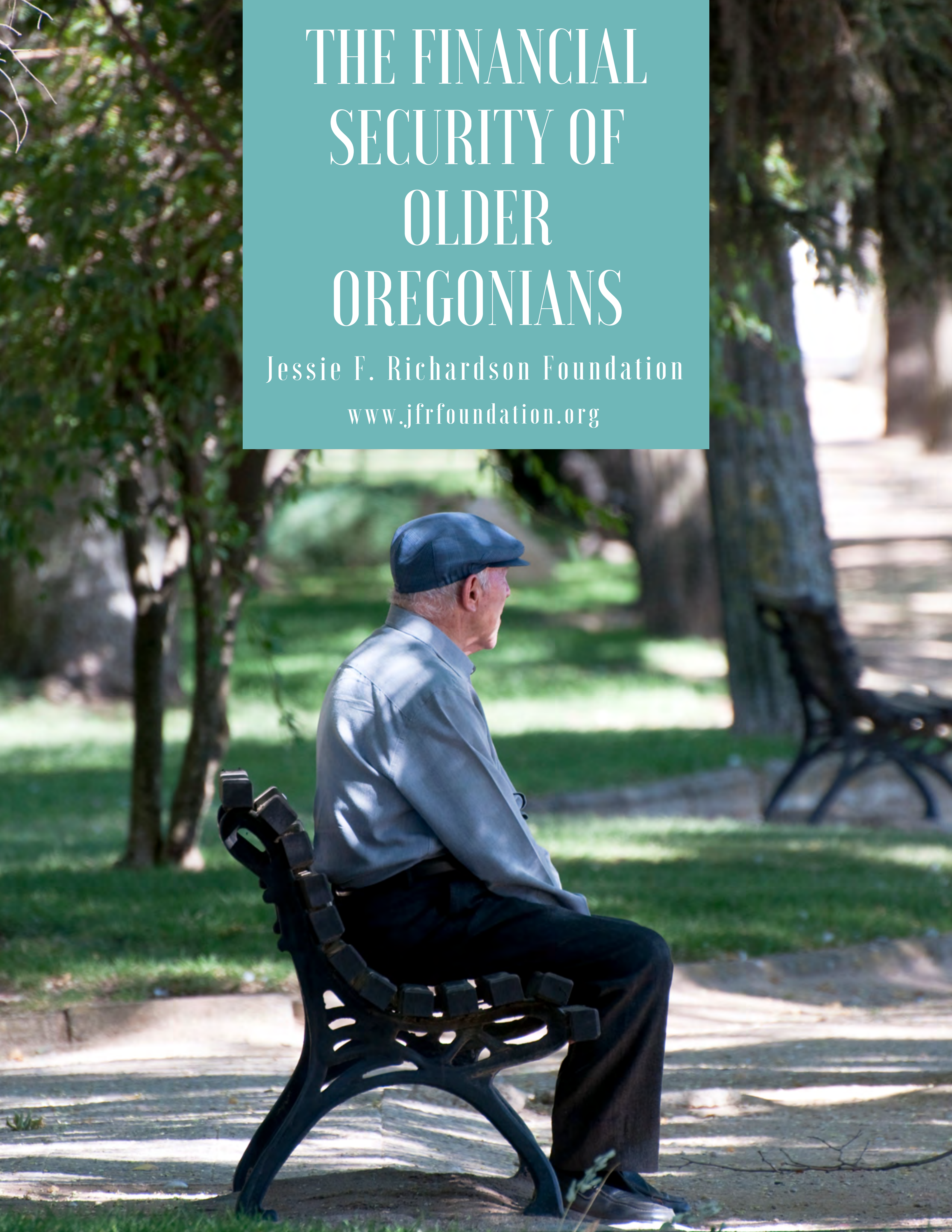
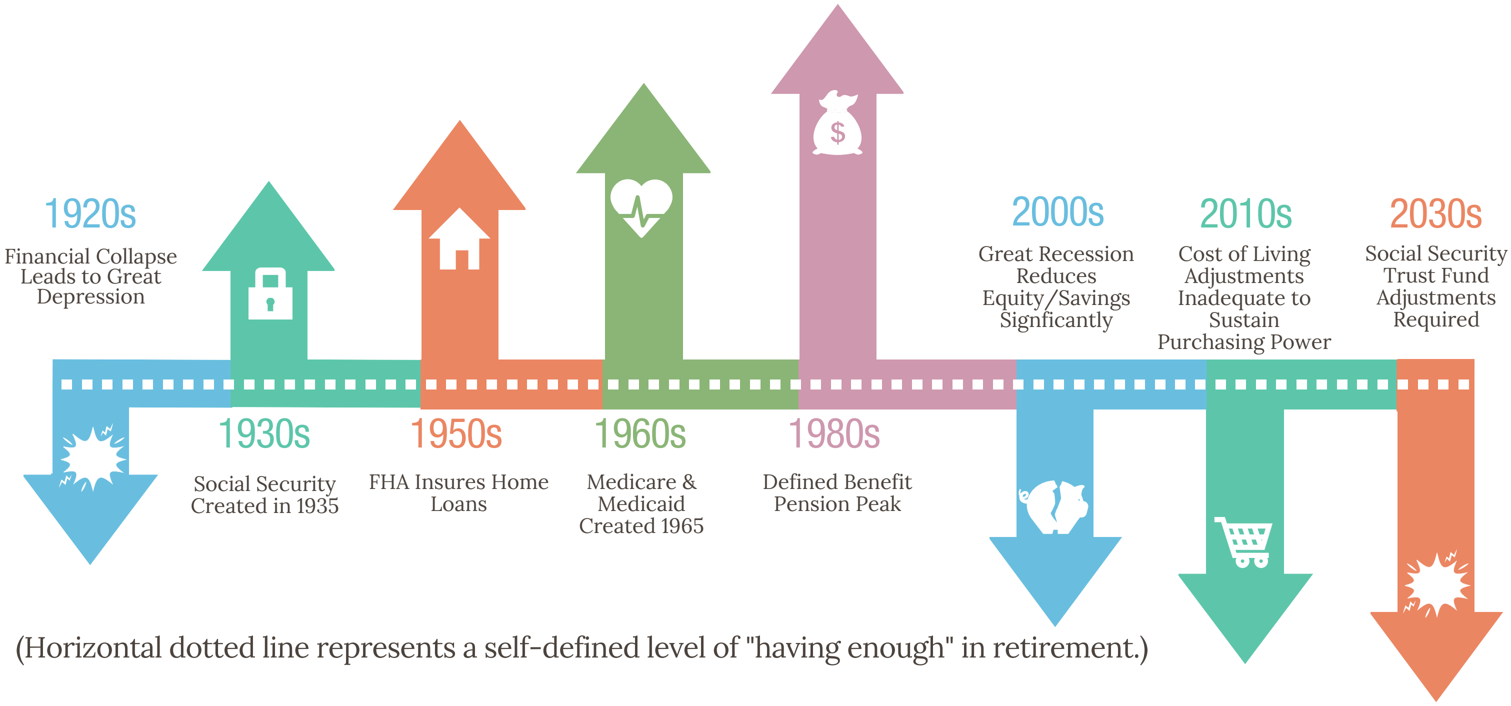


THE SPECTER OF CRUMBLING FINANCIAL SECURITY IN RETIREMENT

Last year, the Washington Post reported that most older people are more worried about running out of money than dying. As record numbers of Baby Boomers retire to enjoy their "golden years," many find that downward economic mobility is a looming reality, including many middle- and even higher-income individuals.

While many older adults are entering retirement with resources sufficient to provide for their financial security, a growing number are feeling unprepared and uneasy. Understandably so, with only 60% somewhat or very confident they will be comfortable in retirement, compared to 75% twenty years earlier. Many may be approaching retirement with unrealistic expectations about how they will supplement Social Security income with savings or work. Homeowners also may over-estimate the availability of income from their primary asset, their home.

While government policies have enhanced financial security, events threaten to overwhelm their long-standing positive impact. This foreboding sense of malaise is captured by the National Institute for Retirement Security (2013) when they state: "The hope of retirement security is out of reach for many Americans in the face of a crumbling retirement infrastructure."



(Horizontal dotted line represents a self-defined level of "having enough" in retirement.)

THE FOUR ELEMENTS OF FINANCIAL SECURITY

Americans have traditionally prepared for retirement assuming they would have contributions from four possible sources to provide a comfortable and secure retirement:

- **Social Security**
- **Savings/Pensions/401Ks**
- **Employment**
- **Net Worth/Assets**

A closer look at each of these sources describes their impact on the financial security of older adults.

1) SOCIAL SECURITY INSUFFICIENCY

Social Security (SS) was created as a strategy to reduce old age poverty and to generate a reliable, but limited, income for older adults. However, SS alone was not conceived as a sufficient income source to meet the ongoing financial needs of its recipients in retirement or to maintain a pre-retirement standard of living. Yet many have counted on it as a sole or major source of retirement income.

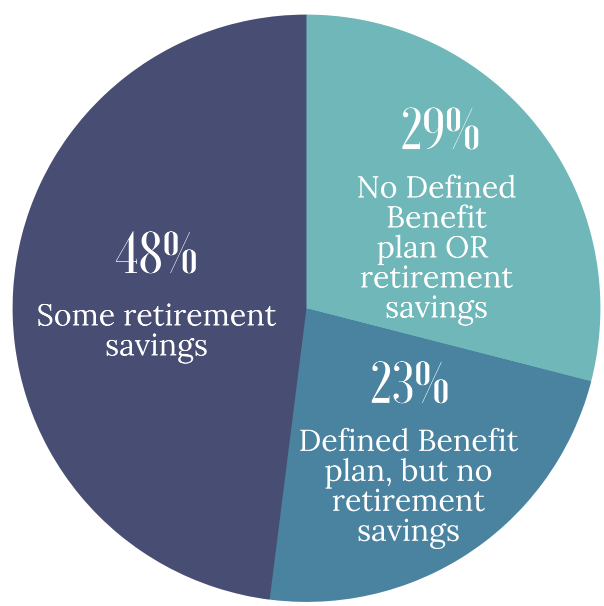
- The current (2018) average annual SS benefit is $16,848.
- 20% of SS recipients 65+ get 100% of their income from SS; for another 33% it is 90% of their income.
- Although adjusted for cost of living, SS is estimated to have lost significant buying power over the last decades.
- Adjustments are required by 2035 to maintain solvency.

2) SAVINGS & PENSION DECLINE

The current savings picture shows a significant decrease over the past several decades. At the same time, household indebtedness has significantly increased. In 2018, individuals 65-74 have 5 times more debt as the same age cohort 2 decades earlier. Further, workplace sponsored retirement plans have changed dramatically over the past several decades. This combination reduces available cash to augment SS income.

- 52% of households 55+ reported little or no retirement savings in 2013.
- 52% of middle income adults 55+ report less savings now than before the 2007 financial crisis.
- Of those employees with access to workplace retirement plans, 48% did not participate, principally due to self-reported financial hardship.
- The average Black and Latino household has over $100,000 less in retirement savings than the average White household.

Select Resources for All Households Age 55+



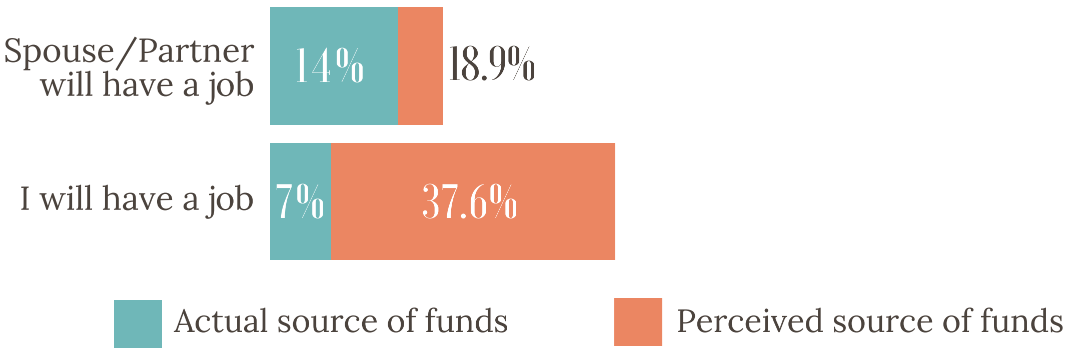
Source: GAO analysis of 2013 Survey of Consumer Finances (SCF) data

3) EMPLOYMENT REALITY

Individuals reporting that they planned to work after 65 increased from 11% in 1991 to 33% in 2014. But it isn't clear that planning to work after 65 is realistic for many. SS significantly restricts the amount that can be earned tax free below age 67 and available work often doesn't match retiree abilities, needs or health status. But not working, or how much one works, can significantly affect the ability to save.

- The 2013 Merrill Lynch Retirement Study found that 71% of pre-retirees wished to work, at least part time, in their retirement years.
- 50% of retirees retired sooner than expected with 61% reporting they left to cope with a health problem or disability and another 18% to care for a spouse or other family member.
- Labor force participation for 65+ is projected to rise from 17% in 1996 to 26% by 2026.
- Among workers 65+, 55% work full time. Within ethnically diverse groups, this increases to 60% among Blacks, 68% Hispanics, 70% Asians, and 56% other non-Hispanics compared to 52% of White workers.
- Less than 10% of retirees report income from work, despite expectations of a much higher rate in retirement.

Work Income in Retirement
Actual vs. Perceived



Source: Federal Reserve, Economic Well-Being of U.S. Households, 2015

Converging trends are threatening financial security for older adults, especially those within minority populations.

4) NET WEALTH INACCESSIBLE

Some older adults have net wealth in the form of savings, stocks and bonds. However, for the majority of older persons, their principal asset is their home. At the same time, the number of persons over 65 with mortgages on their homes has increased resulting in greater housing cost burden. Renters, in general, have very modest net wealth.

- Over one-half of 65+ home owners hold at least 50% of their total net wealth in home equity.
- 20% of households 65+ with mortgages have housing costs over 50% of income.
- 32% of households 80+ have housing costs of 50% of income.
- About one-half of renters spent 30% of income on housing with a quarter of them spending 50% or more.
- 30% of African American households own their homes, while 63% of White households own theirs, signaling a greater wealth gap among minority populations.
- 70% of persons preparing for retirement stated that there was a zero chance of selling their homes to generate retirement income.

Wealth of Low to Medium Income Households (65+)

	Renters	Owners	
	Net Wealth	Total Net Wealth	Non-Housing Net Wealth
All Households	$6,150	$258,600	$103,180
Income			
Less than $15,000	$1,300	$87,920	$8,240
$15,000-$29,999	$3,580	$155,500	$33,200
$30,000-44,999	$90,700	$200,000	$77,660

Source: JCHS tabulations of US Federal Reserve Board, 2013 Survey of Consumer Finances.

TROUBLED WATERS AHEAD

Taken together, these events contribute to uncertainty and anxiety about having sufficient resources in retirement. This sense of declining financial mobility creates concern not only for individuals, but for our nation where nearly a quarter of the population will be 65+ by 2035. This is an increase from 45 to 78 million persons in less than 20 years.

- **The 2007-2010 recession with its high unemployment, loss of savings and decreased home equity, has had a significant impact on retirement preparation for many older households.**
- **The average 65-year-old couple retiring at 65 will require an estimated $275,000 to cover out-of-pocket health care costs for the remainder of their lives.**
- **The number of housing cost-burdened households over 65 years of age is projected to grow from 10 to over 17 million households by 2035.**

FINANCIAL INSECURITY: THE NEW NORMAL IN RETIREMENT?

There is a persistent belief that most older adults are economically secure. This overview suggests that there are large numbers of individuals and households approaching, or now in retirement, who are unprepared and at financial risk. While personal choices and circumstances may have influenced this state for some, larger policy and societal events have had a significant bearing on the opportunities to afford and accumulate sufficient financial resources for old age.

Left alone or ignored, this increased risk is almost certain to have significant implications when linked to the dramatic increase in the number and percentage of older adults, including those living in Oregon.

We ask you to join us in this discussion of financial security and its implications for older adults in Oregon.

Email us at info@jfrfoundation.org

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Both Marvin and Keren are nationally recognized experts in aging and care systems development for older adults.

About the Jessie F. Richardson Foundation:

JFRF has tackled issues impacting older adults living in poverty for more than 15 years with a focus on housing, services and sustainability. We succeed in achieving our mission by investing in long-term partnerships to build capacity in local communities. Our goal is to help bridge the gap for older adults, families and communities as we support strategies to address the changing face of aging in Oregon and beyond.

All sources for this whitepaper can be found by going to www.jfrfoundation.org/whitepapersources