

THE UNFOLDING AMERICAN RETIREMENT CRISIS

Teresa Ghilarducci
Professor of Economics
The New School for Social Research

THE NEW SCHOOL

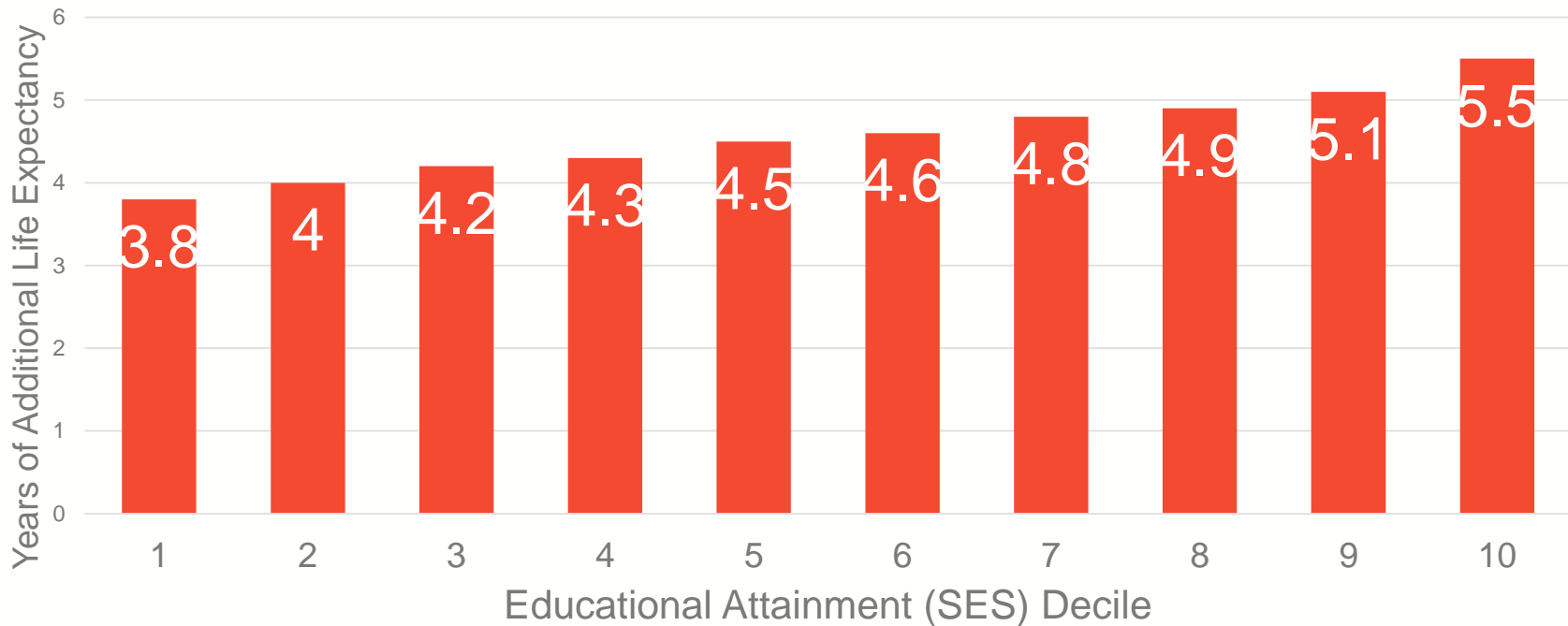
RELAB

Financial Wellness for Longer Lives: New Approaches to Working and Saving, Sponsored by New York Academy of Medicine in partnership with the Global Coalition on Aging, AARP NY, and Bank of America

January 18, 2018

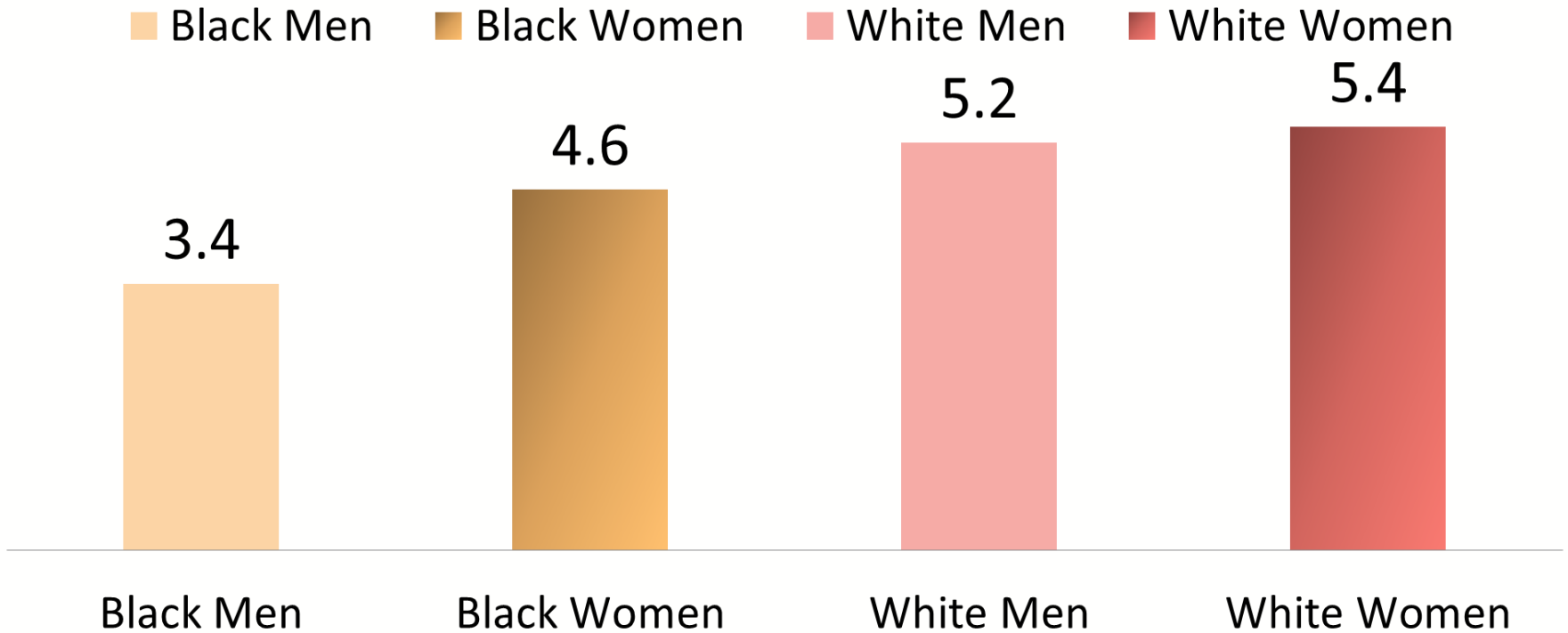
LONGEVITY GAINS HAVE GONE MOSTLY TO THE TOP

Longevity Gains Between 1920 and 1940 Male Birth Cohorts



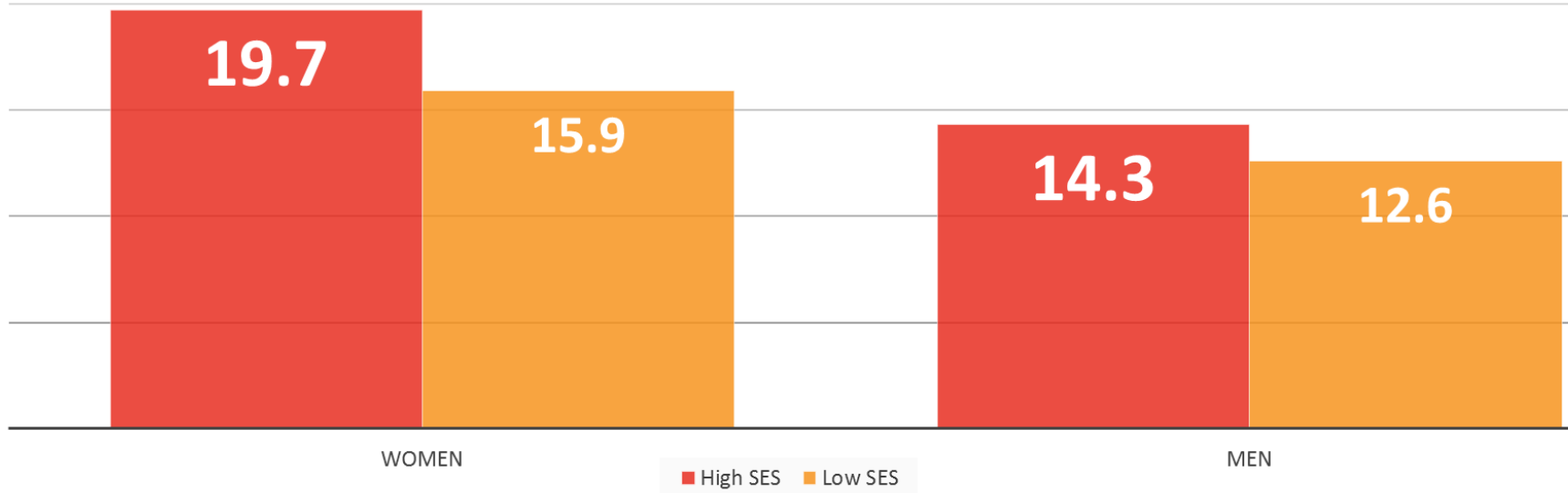
Source: Bosworth, B., Burtless, G., & Zhang, K. (2016). Later retirement, inequality in old age, and the growing gap in longevity between rich and poor. *Economic Studies at Brookings*, 87.

LONGEVITY GAINS HAVE GONE MOSTLY TO WHITES (1950 and 2013)



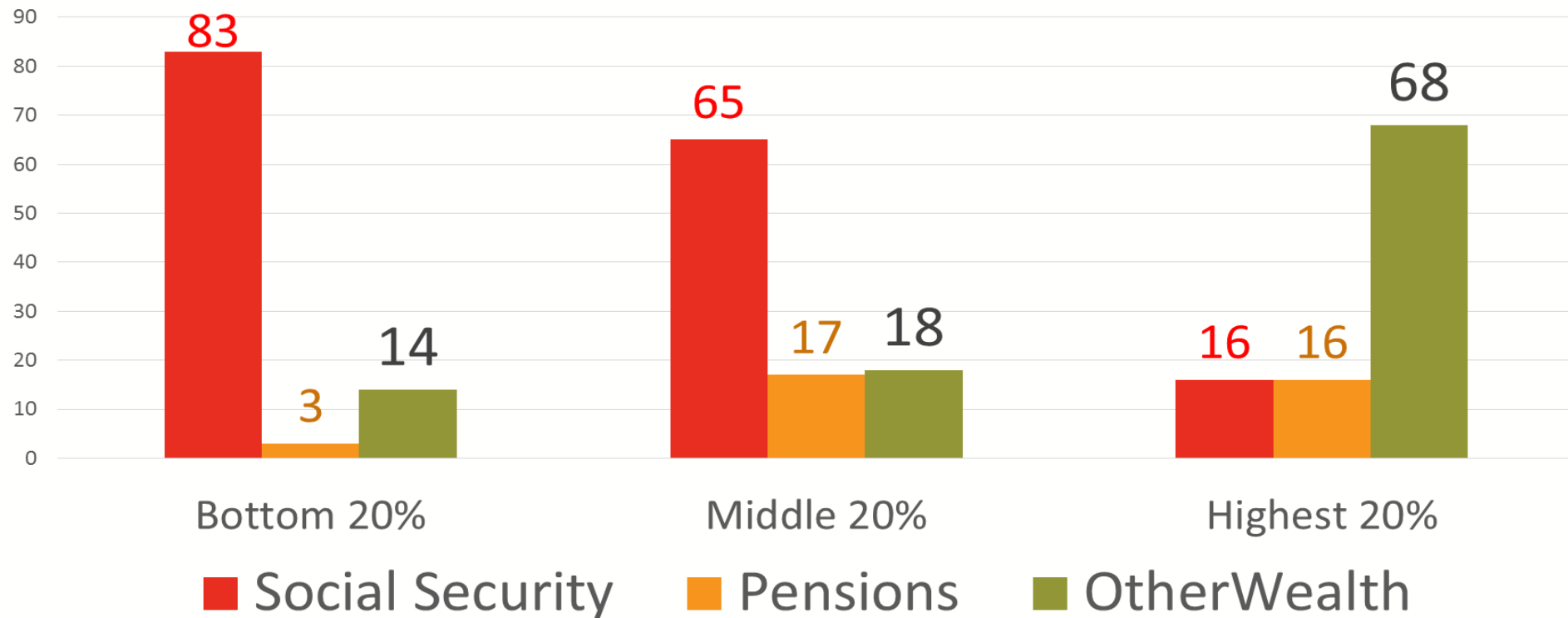
INEQUALITY IN RETIREMENT TIME IS A NEW DEVELOPMENT

Because Some Do Not Live a Normal Human Lifespan, they have less retirement time

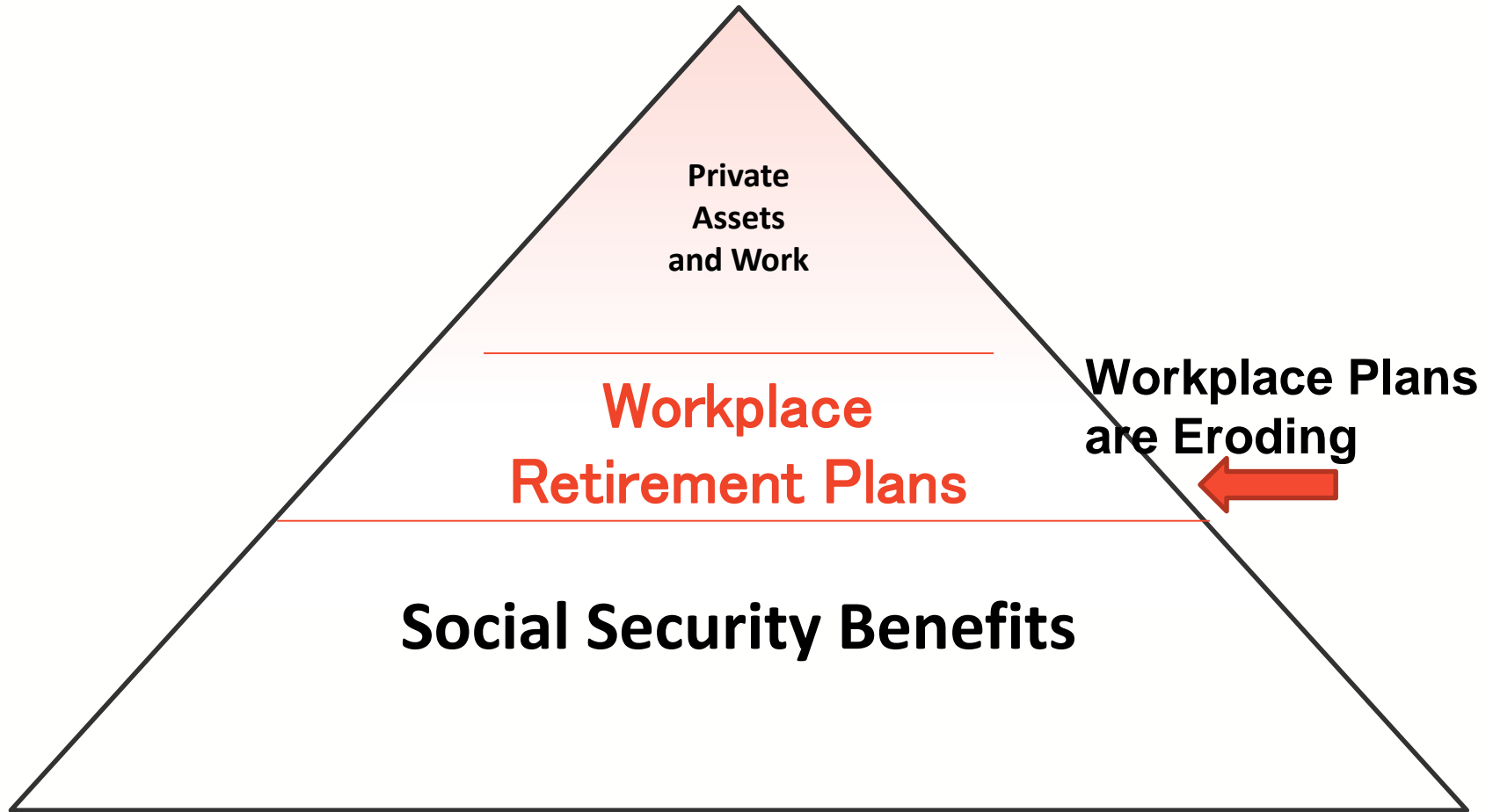


SOCIAL SECURITY MATTERS MOST FOR ALL BUT THE TOP

SOURCES OF INCOME TO THOSE OVER 65



HOW THE RETIREMENT SYSTEM WORKS



THE RETIREMENT SYSTEM HAS FAILED

Median Retirement Account Balance of Families Ages 55-64, Including Those with Zero Account Balances, by Family Income

Bottom 50%	\$0
Middle 40%	\$60,000
Top 10%	\$200,000

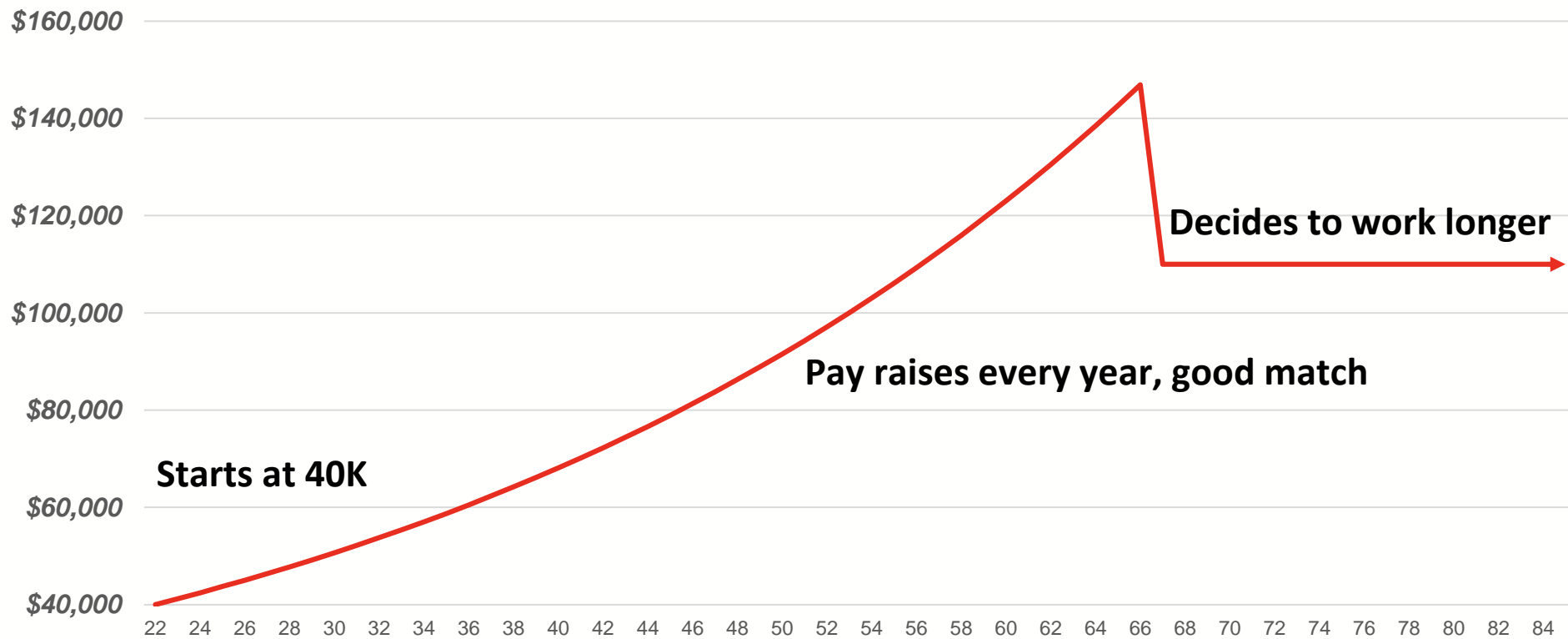
Ghilarducci, T., Papadopoulos, M., and Webb, T. (2017) "Inadequate Retirement Account Balances for Workers Nearing Retirement." Schwartz Center for Economic Policy Analysis and Department of Economics, The New School for Social Research, Policy Note Series.

NONWHITE WORKERS HAVE EVEN LESS SAVED THAN WHITE PEERS

- Compared to white peers, nonwhite workers had significantly lower retirement savings:
- African-Americans (-\$16,977)
- Asians (-\$11,743 to -\$41,979)
- Hispanic nonwhites (-\$8,280 to -\$24,278)

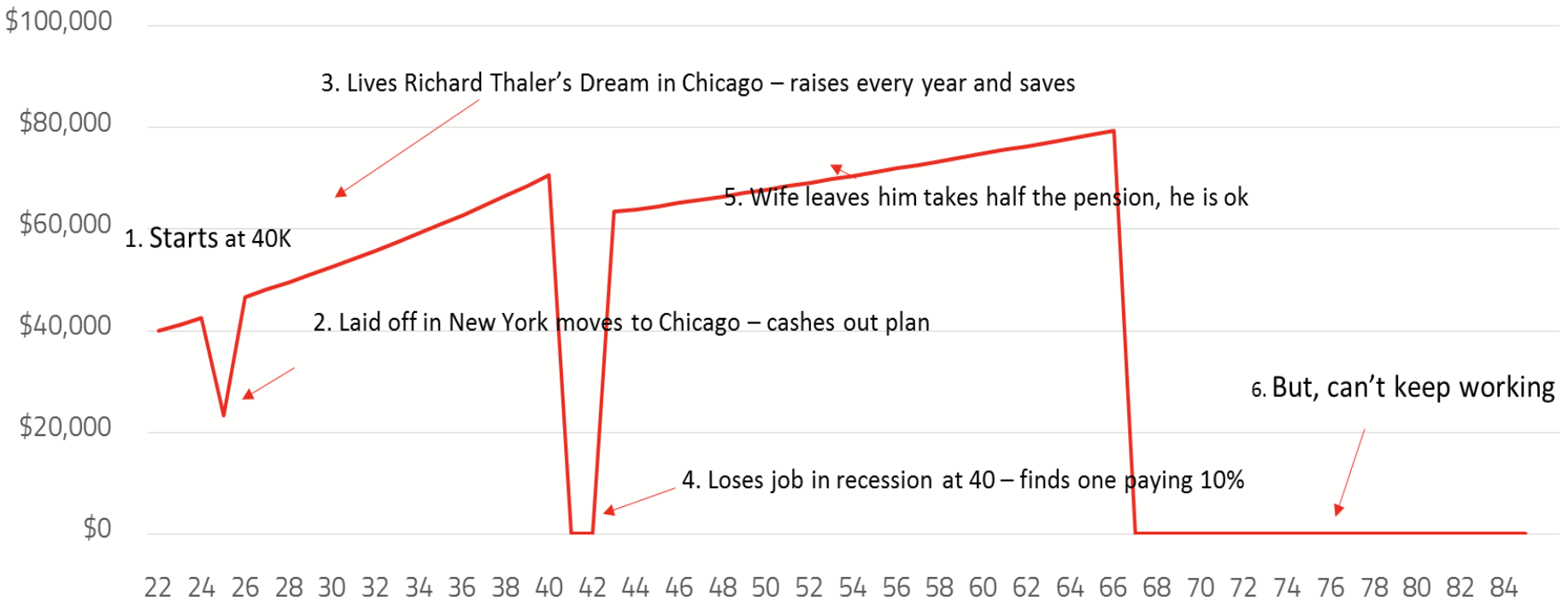
THE SYSTEM WOULD WORK IF THIS IS HOW PEOPLE WORKED

Richard's Career



WHAT A TYPICAL WORKER FACES IN THE AMERICAN LABOR MARKET

Joe's Career Trajectory

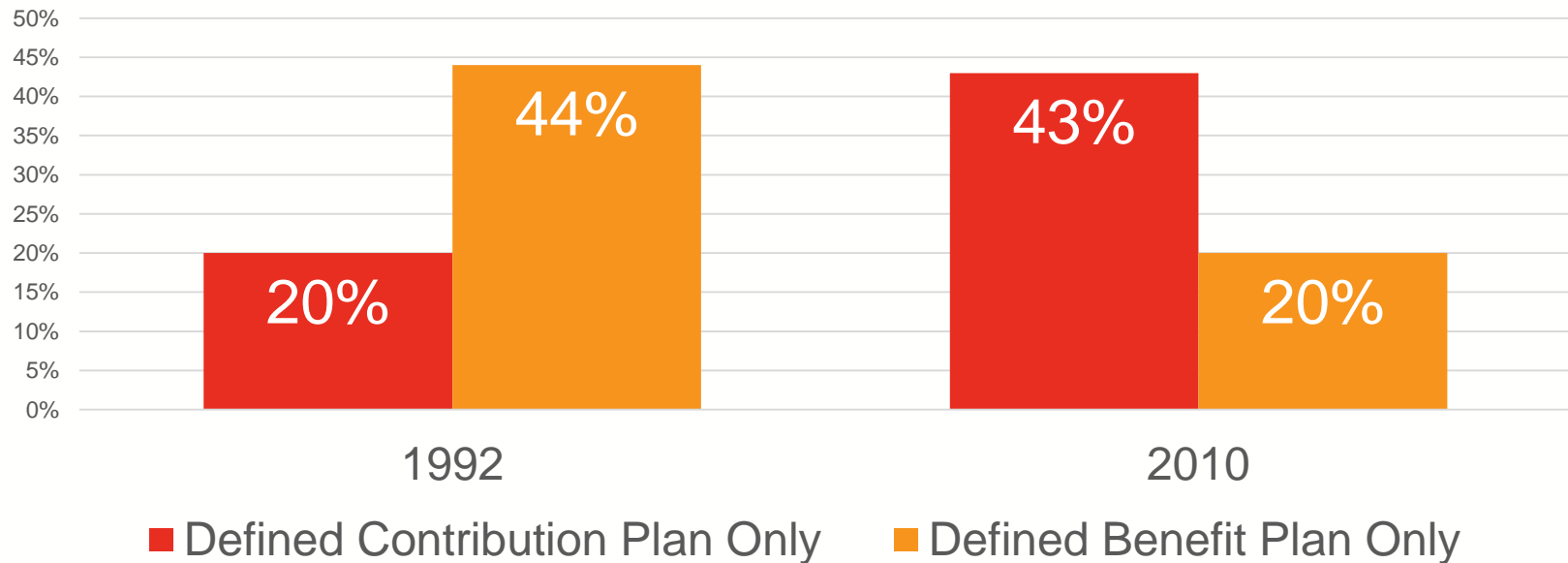


WHAT POLICIES AND PRACTICES CAUSED THE CRISIS?

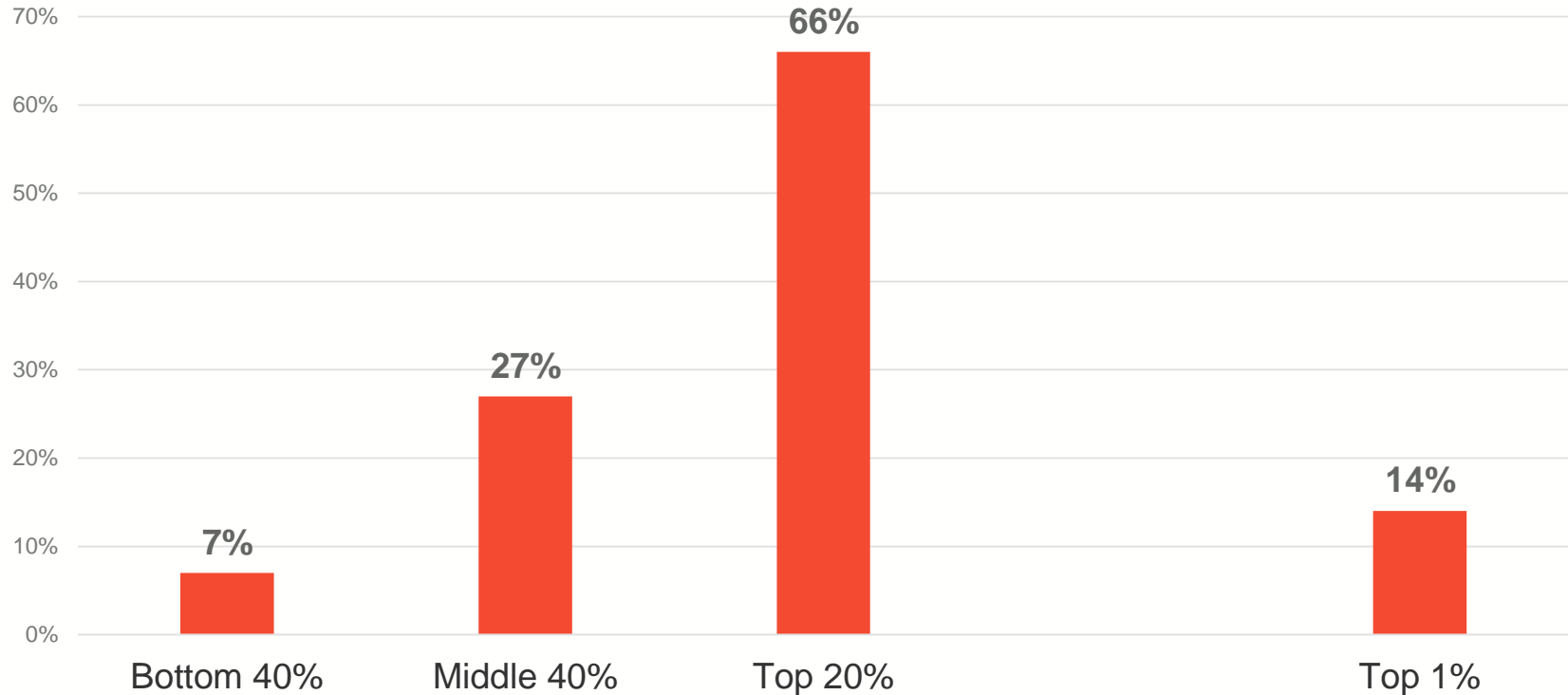
- Financialization
- Do-it-Yourself Approach

401(K)-STYLE PLANS REPLACED DEFINED BENEFIT PENSION PLANS

Percent of Households Aged 51-56 who have either DC Plans or DB Plans



PENSION TAX BREAKS GO MOSTLY TO THE TOP

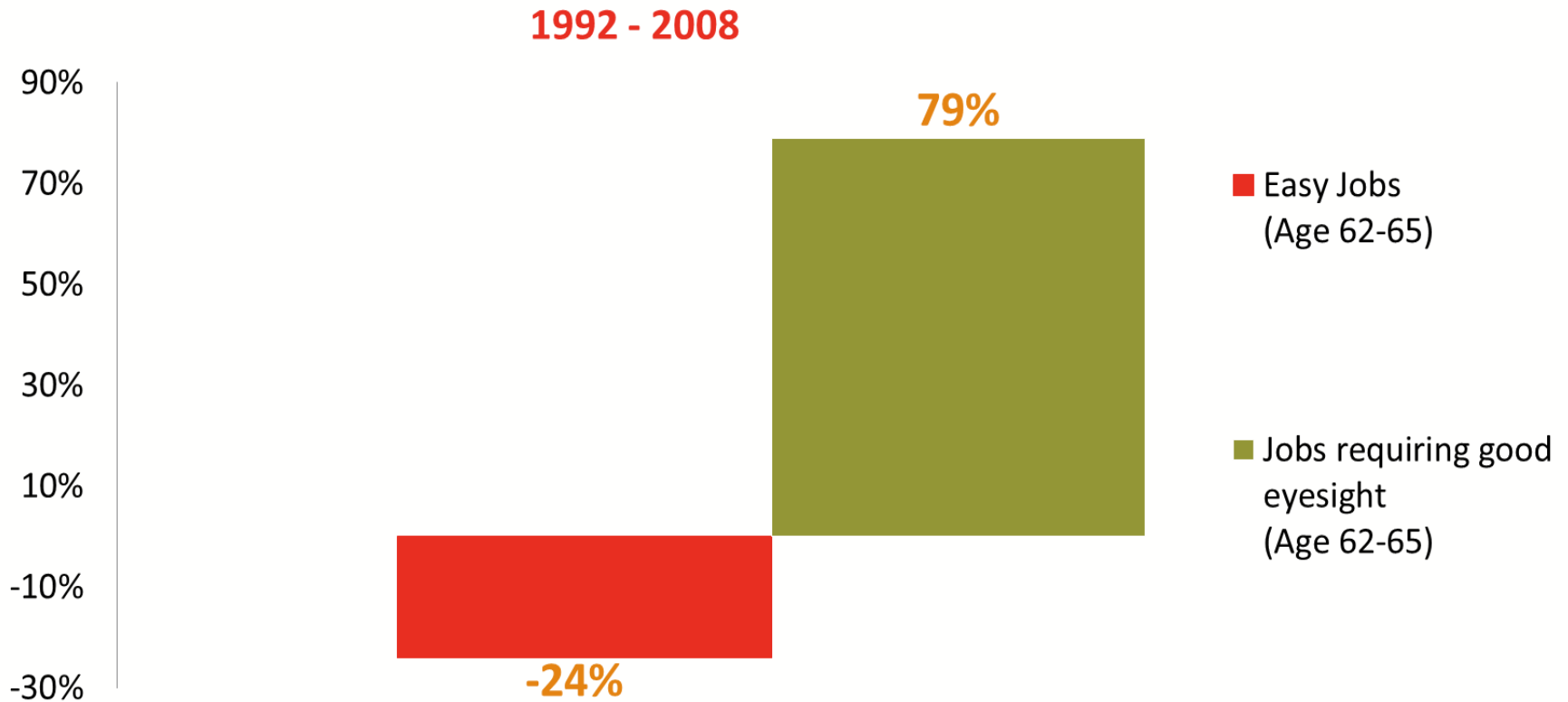


Source: Congressional Budget Office (2013)

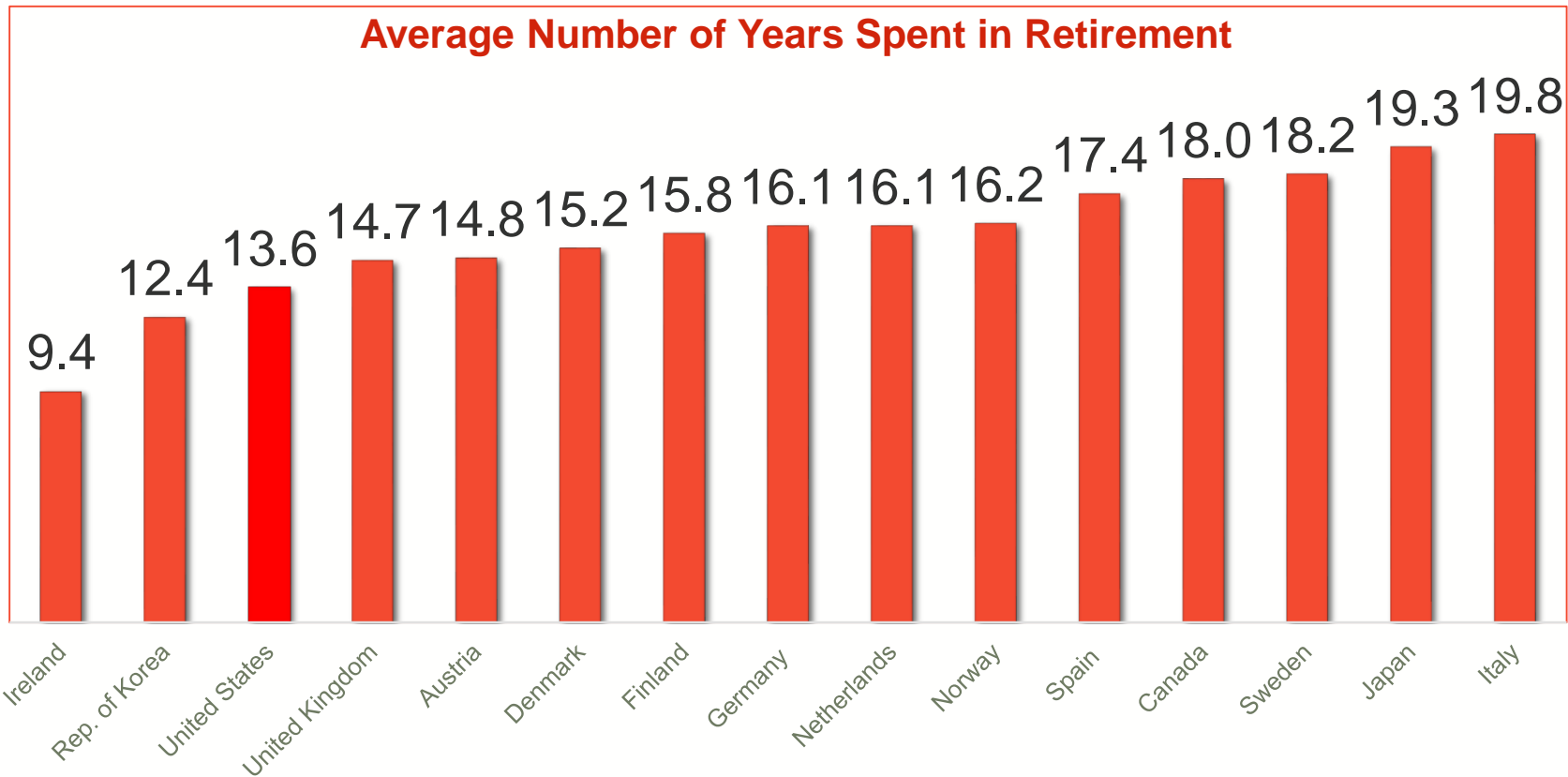
PROPOSED SOLUTIONS TO THE RETIREMENT CRISIS THAT WON'T WORK

1. Myth one: Older workers can save more.
2. Myth two: Older workers should work longer.
3. Myth three: Older workers should use their home equity as a source of retirement income.

JOB QUALITY IS DEGRADING FOR OLDER AMERICANS



AMERICANS ALREADY WORK MORE: THE U.S. RANKS AMONG THE LOWEST FOR WORKERS' TIME IN RETIREMENT

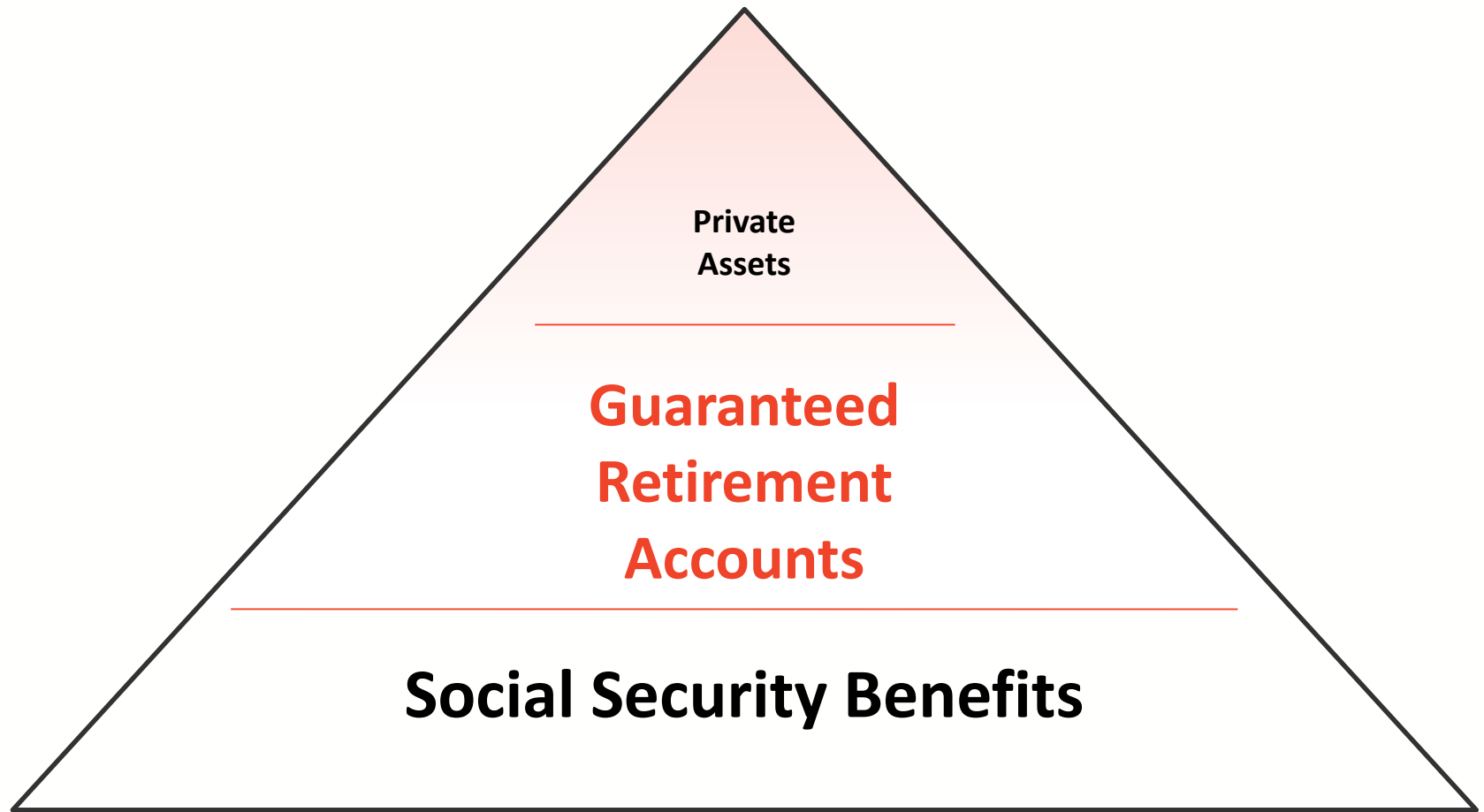


Source: OECD 2013

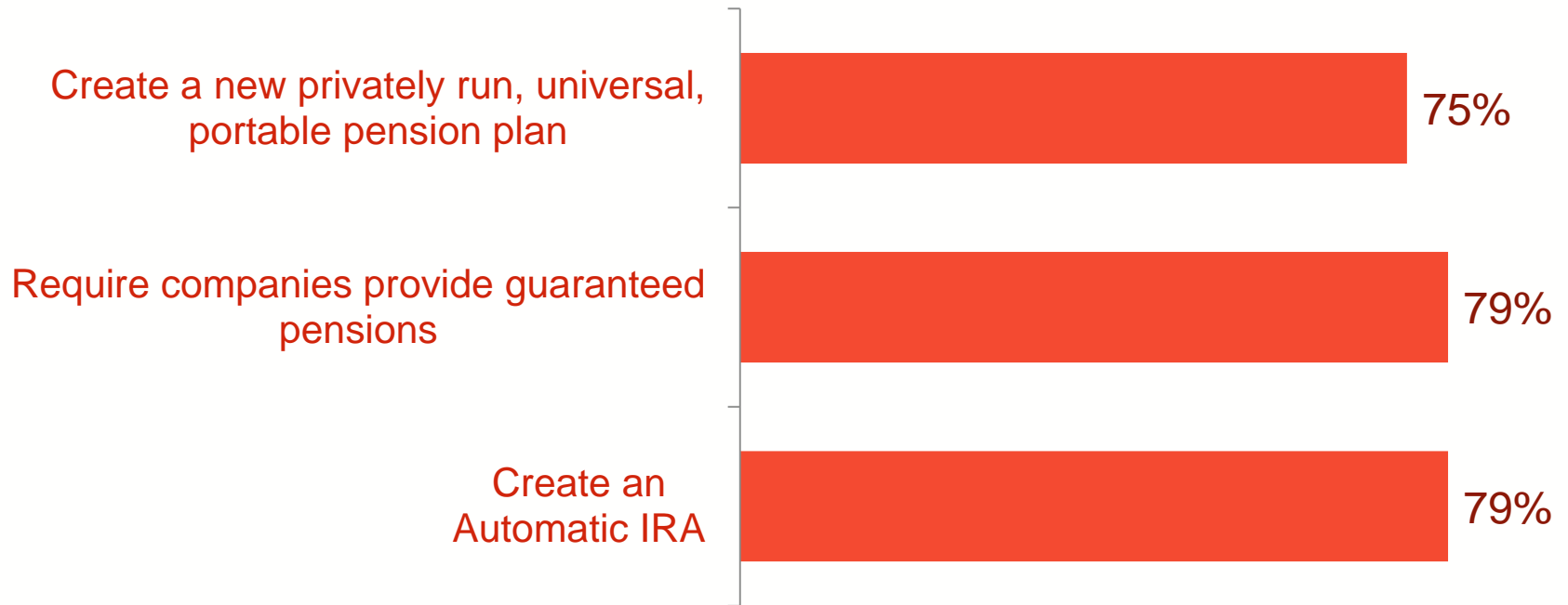
NOT FLAWED HUMANS: FLAWED DESIGN

Inadequate retirement savings reflect **systemic failures** of the American retirement system— not a lack of planning or financial literacy on the part of American workers.

THE GRA NEEDS A STRONG SOCIAL SECURITY SYSTEM AT ITS BASE



WIDE SUPPORT FOR MANDATED, ASSET-BASED RETIREMENT PLANS



Source: David Madland (2008) and (2013)

RESCUING RETIREMENT

A Plan To Guarantee Retirement Security For All Americans



TERESA GHILARDUCCI

TONY JAMES

foreword by TIMOTHY GEITHNER

Pushing Aside 401(k)'s for Mandatory Savings Plans

By MARK MILLER DEC. 11, 2015
New York Times



THE NEW SCHOOL

RELAB

Thank you

THE NEW SCHOOL

RELAB