Retirement Income Crisis

Nearly 2/3rds of working Americans unable to maintain standard of living in retirement

$6.6 trillion retirement income gap, ages 32-64
(Pension Rights Center)

Household wealth dropped from $66 trillion in 2007 to $58 trillion in 2011

Very modest retirement savings

Social Security benefits cut by 25% for post-1959 cohorts

54% of 45-54 say “totally unprepared for retirement”
(2011 Alliance Life Insurance Survey)
U.S. Pension Replacement Rates are Low

This Statlink file has been corrected. See: [http://www.oecd.org/dataoecd/55/26/46937644.pdf](http://www.oecd.org/dataoecd/55/26/46937644.pdf)


Part II

Gross pension replacement rates: average earners & Gross pension replacement rates by earnings & Gross pension replacement rates: Low and high earners

Version 1 - Last updated: 28-Jan-2011

Gross pension replacement rates: average earners

Source: OECD pension models.

Gross pension replacement rates: low and high earners
Social Security's Proportion of Aggregate Income for Households Ages 65+ by Income Quintile, 2010

- Lowest <$12,554: 84.3%
- Second $12,554-$20,145: 83.3%
- Middle $20,145-$32,602: 65.7%
- Fourth $32,602-$57,957: 43.5%
- Highest >$57,957: 17.3%

Source: Social Security Administration, Table 10.5, *Income of the Population 55 or Older, 2010*, February 2012.
Strong Support for Social Security

“Americans value Social Security, want to improve benefits, and are willing to pay” to maintain and expand its benefit protections”

- Roughly four out of five say they value it for themselves, their families and for the sound protection it provides to tens of millions of beneficiaries;

- More than four-fifths say that benefits are too low for retirees

- Three-quarters favor improving retirement protections for working Americans even if it requires increasing payroll tax contributions.

- More than four out of five believe it should be preserved for future generations even if it requires increasing payroll tax contributions.

Source: NASI, 2013; Matthew Greenwald & Associates
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Over time, Social Security has provided the largest share of aggregate income for units aged 65 or older.

The preferred package would:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the 5% of workers who earn more than the cap ($110,100 in 2012; $113,700 in 2013) would pay into Social Security throughout the year, as other workers do.

- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%. A worker earning $50,000 a year would pay about 50 cents a week more each year.

- Raise Social Security’s basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor.

- Increase Social Security’s cost-of-living adjustment (COLA) to more accurately reflect the level of inflation experienced by seniors.

This package would entirely eliminate Social Security’s projected financing gap and provide additional funding. The package is preferred over the status quo by large majorities of seniors in the so-called Silent Generation, born before 1946 (76%); Baby Boomers, born from 1946 to 1964 (71%); and younger Americans in Generation X, born from 1965 to 1979 (73%) and Generation Y, born in 1980 and after (67%). See Figure 1.