NEW Research

Examining the Nest Egg: the Sources of Retirement Income for Older Americans

Webinar
January 15, 2020
Why This Research?

• To have an honest discussion about retirement security, it’s important to know where retiree income is coming from.

• The “three-legged stool” has long been upheld as the ideal, but how many retirees actually have all three legs?

• The sources and combinations of retiree income have a strong effect on poverty status and the likelihood of experiencing material hardship.

• Previous NIRS research considered the impact of defined benefit income on poverty status and material hardship. This research goes beyond that and considers other sources of retirement income.
Methodology

• The study data were drawn from the first wave of the 2014 Survey of Income and Program Participation (SIPP) and the 2014 Social Security Administration (SSA) Supplement on Retirement, Pensions, and Related Content.

• Wave 1 SIPP respondents were interviewed between February and June 2014 about their status during calendar year 2013. The SSA Supplement was fielded later in the fall of 2014 using the same 2013 calendar year reference period as the SIPP.

• Two study samples: first, all respondents to both the SIPP & SSA Supplement who were age 60 years or older, & who worked fewer than 30 hours per week. Second, all households with a householder age 60 or older, where neither the householder nor the spouse/partner worked 30 or more hours per week.
7 Key Findings

1. Only a small percentage of older Americans, 6.8 percent, receive income from Social Security, a defined benefit pension, and a defined contribution plan (the three-legged stool).

2. A plurality of older Americans, 40.2 percent, only receive income from Social Security in retirement.

3. Roughly equal numbers of older Americans receive income from defined benefit pensions as from defined contribution plans. This is likely to change in the future as fewer private sector workers have access to defined benefit pensions.

4. Defined benefit pensions have a much greater poverty-reducing effect than defined contribution plans. This may be partly due to the fact that recipients of defined contribution income tend to have much higher net worths than the recipients of defined benefit income, and defined benefit income is a larger share of total retirement income.
Key Findings (continued)

5. Unmarried older men and unmarried older women receive retirement income from similar combinations of sources, but the older men consistently have higher incomes than the older women. Both unmarried men and women have lower retirement incomes than married older men and women.

6. Race and educational attainment both have very strong roles to play in determining retirement outcomes. Whites have consistently higher retirement incomes than blacks or Hispanics, and those with a college degree have significantly higher retirement incomes than those with only a high school education. Race and educational attainment also intersect in meaningful ways.

7. Expanding Social Security benefits would be a potent poverty-reducing tool for policymakers to implement to fight elder poverty.
Sources and Combinations

Figure 1: Retirement Income Sources of Persons Age 60 or Older Working Fewer than 30 Hours Per Week, 2013

- **40.2%** - Social Security income only
- **15.4%** - DB and SS income
- **15.1%** - DC and SS income
- **14.9%** - No DB, DC, and SS income
- **6.8%** - DB, DC, and SS income
- **3.8%** - DB income only
- **2.5%** - DC income only
- **1.3%** - DB and DC income
## Median Total Retirement Income

Table 1: *Retirement Income Sources of Persons Age 60 or Older Working Fewer Than 30 Hours Per Week, 2013*

<table>
<thead>
<tr>
<th>Sources of Retirement Income Received</th>
<th>Percent</th>
<th>DB Income: Median Amount</th>
<th>DC Income: Median Amount</th>
<th>SS Income: Median Amount</th>
<th>Total Income: Median Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Persons</td>
<td>100%</td>
<td>$0</td>
<td>$0</td>
<td>$13,320</td>
<td>$21,144</td>
</tr>
<tr>
<td>SS Income Only</td>
<td>40.2%</td>
<td>$0</td>
<td>$0</td>
<td>$14,280</td>
<td>$17,652</td>
</tr>
<tr>
<td>DB and SS Income</td>
<td>15.4%</td>
<td>$14,400</td>
<td>$0</td>
<td>$16,800</td>
<td>$30,120</td>
</tr>
<tr>
<td>DC and SS Income</td>
<td>15.1%</td>
<td>$0</td>
<td>$6,000</td>
<td>$18,360</td>
<td>$28,476</td>
</tr>
<tr>
<td>DB, DC, and SS Income</td>
<td>6.8%</td>
<td>$18,000</td>
<td>$5,000</td>
<td>$19,680</td>
<td>$37,440</td>
</tr>
</tbody>
</table>
Median Total Retirement Income By Gender

- Unmarried men: $23,064
- Unmarried women: $19,764
- Couples: $52,116
- More couples (21.4%) had all three sources of retirement income than did unmarried men (6.3%) or women (6.7%)
Retirement Income By Race

• **Median Total Retirement Income:**
  - White persons: $23,292
  - Black persons: $16,863
  - Hispanic persons: $13,560

• **Those only receiving Social Security income:**
  - White persons: 39.2%; $14,760 (median amount)
  - Black persons: 44.8%; $13,320 (median amount)
  - Hispanic persons: 45.9%; $12,720 (median amount)
Median Total Retirement Income By Educational Attainment

- At most a high school education: $25,524
- Some college: $37,500
- College graduate: $51,553
- College graduates (20.9%) are more likely to have all three sources of retirement income than some college (13.5%) or high school education (8.2%)
Median Total Retirement Income By Age Cohort

• Many similarities between the 66-75 and 76+ cohorts

• Many in the 60-65 cohort haven’t retired yet
  – 30.8% do not receive income from any of the three sources

• Social Security income is still the largest source of income for all three groups

• In the future, we expect the number of older persons receiving DB income to decline
Median Household Net Worth
By Retirement Income Source

- Social Security Only: $80,405
- Defined Benefit & Social Security: $108,690
- Defined Contribution & Social Security: $301,870
- Defined Benefit, Defined Contribution & Social Security: $319,050
## Median Household Net Worth By Retirement Income Source (Cont.)

<table>
<thead>
<tr>
<th>All Households by Retirement Income Sources</th>
<th>Median SS Amount</th>
<th>Median DB Amount</th>
<th>Median DC Amount</th>
<th>Median Total Household Income</th>
<th>Median Net Worth (Excluding Retirement Assets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SS Income Only</td>
<td>$16,680</td>
<td>$0</td>
<td>$0</td>
<td>$24,284</td>
<td>$80,405</td>
</tr>
<tr>
<td>DB and SS</td>
<td>19,320</td>
<td>12,000</td>
<td>0</td>
<td>38,532</td>
<td>108,690</td>
</tr>
<tr>
<td>DC and SS</td>
<td>24,408</td>
<td>0</td>
<td>7,500</td>
<td>43,884</td>
<td>301,870</td>
</tr>
<tr>
<td>SS, DB and DC</td>
<td>25,680</td>
<td>19,260</td>
<td>6,754</td>
<td>60,024</td>
<td>319,050</td>
</tr>
</tbody>
</table>
Poverty Status by Retirement Income Source

- Social Security only – not poor: **47.6%**
- Defined Benefit & Social Security – not poor: **73%**
- Defined Contribution & Social Security – not poor: **78.2%**
- Defined Benefit, Defined Contribution & Social Security – not poor: **92.9%**
Material Hardship & Public Assistance Receipt

- Older households with multiple sources of retirement income are less likely to experience a material hardship or receive public assistance.

- For example, prevalence of food insecurity:
  - Social Security only: 13.7%
  - Defined Benefit & Social Security: 9%
  - Defined Contribution & Social Security: 3.9%
  - Defined Benefit, Defined Contribution & Social Security: 1.6%
Material Hardship & Public Assistance Receipt (Cont.)

- For example, enrollment in Medicaid among older households:
  - Social Security only: 19.1%
  - Defined Benefit & Social Security: 9%
  - Defined Contribution & Social Security: 3.9%
  - Defined Benefit, Defined Contribution & Social Security: 0.7%
Poverty Reduction & Retirement Income Receipt

• Social Security has a strong poverty-reducing effect
  – There would be over **7.5 million** more poor households without Social Security income receipt

• Defined benefit plans do more to alleviate elder poverty than defined contribution plans
  – **19%** fewer poor households due to DB income vs **5.3%** fewer poor households due to DC income

• Social Security and defined benefit plans do more to reduce public assistance receipt and Medicaid enrollment
# Poverty Reduction & Retirement Income Receipt

## Table 9: Projected Changes in Poor, Near-Poor, and Not-Poor Older Households Working Less Than 30 Hours Per Week Without DB, DC, and Social Security Income in 2013

<table>
<thead>
<tr>
<th>Poor Households b</th>
<th>Number of Households in 2013 (millions)</th>
<th>Projected Net Change in Households (millions)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual SIPP National Estimate</td>
<td>3.70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without DB Income Receipt a</td>
<td>4.40</td>
<td>0.70</td>
<td>19.0%</td>
</tr>
<tr>
<td>Without DC Income Receipt</td>
<td>3.89</td>
<td>0.20</td>
<td>5.3%</td>
</tr>
<tr>
<td>Without Social Security Income Receipt</td>
<td>11.28</td>
<td>7.58</td>
<td>205.1%</td>
</tr>
</tbody>
</table>
Policy Recommendation

• Expanding Social Security would reduce elder poverty.

• A 10% across the board increase in Social Security benefits would lift more than 500,000 older households out of poverty.