



May 14, 2019

**Testimony of Ann Marie Cook, President/CEO of Lifespan of Greater Rochester Inc.,  
a nonprofit in New York State solely focused on providing information,  
guidance and services for older adults,  
to the House of Representatives Committee on the Budget.**

My remarks today will address the state of current, and more critically, the state of future Social Security beneficiaries.

According to a February 2019 publication from The National Institute on Retirement Security<sup>1</sup>, a non-profit, non-partisan organization established to contribute to informed policymaking:

- Three-fourths of Americans say the nation faces a retirement crisis.
- The majority of Americans believe they cannot achieve financial security in retirement.
- 70% say the average worker cannot save enough on his or her own to guarantee a secure retirement.
- 65% say it's likely they will have to work past retirement age to have enough money to retire.
- 79% say retirees don't know enough about investing to ensure retirement savings last through retirement.
- 80% say the government should make it easier for employers to offer traditional pensions - which two-thirds of Americans prefer to 401(k) accounts.
- 80% of Americans agree that those with pensions are more likely to have a secure retirement.
- Americans ARE united in their sentiment about retirement issues. 84% of Americans agree that leaders in Washington don't understand how hard it is to prepare for retirement.

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<sup>1</sup> Retirement Insecurity 2019: Americans' Views of the Retirement Crisis

Some might say that America does not face a retirement crisis. We, and many others, disagree with that assessment.

We agree with a preponderance of economists and experts such as the National Institute on Retirement Security, the Federal Reserve Bank of St. Louis, Fidelity Investments, Teresa Ghilarducci, trustee for the \$53 billion Medical Health Care Trust for GM and Ford, and Nobel Prize winner Richard Thaler who maintain that Americans are not adequately planning for or saving for a retirement that could last 30 years.

Let's first talk about current beneficiaries.

As president of Lifespan of Greater Rochester, an independent nonprofit providing services for older adults in upstate New York, I can tell you that the one-quarter of current retiree beneficiaries who are relying on Social Security for 90% of their income – are NOT in fact, living comfortably.

Neither are the 43% of non-married beneficiaries who rely on Social Security for 90% of their income.<sup>2</sup> Neither are the 33% of African-Americans who receive at least 90 percent of their income from Social Security, nor the 41% of those who did not complete high school who rely on Social Security benefits for at least 90 percent of their family income.<sup>3</sup>

Reliance on Social Security varies tremendously by socioeconomic characteristics. Women rely on Social Security benefits more than men. Nonmarried beneficiaries rely on Social Security substantially more than married respondents. And minority populations rely on it more than white beneficiaries.<sup>4</sup>

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<sup>2</sup> ACL Profile of Older Americans, 2017

<sup>3</sup> Ibid

<sup>4</sup> The Importance of Social Security Benefits to the Income of the Aged Population  
by Irena Dushi, Howard M. Iams, and Brad Trenkamp, Social Security Bulletin, Vol. 77 No. 2, 2017

Despite the existence of Social Security, over 4.6 million American 65 and older, 9.3%, lived below the poverty level in 2016. 100% of the poverty level for one person in 2016 was \$11,880. Using a newer Census Bureau measure, the Supplemental Poverty Measure, which considers regional cost of living variations and out-of-pocket medical expenditures, 14.5% of older Americans are living in poverty.<sup>5</sup>

Most often, these are older Americans who worked low-income jobs without defined pension benefits. These are older Americans who did not plan to live to 80, 90 or even older. If someone reaches age 65, they are likely to live another 20 years. Not planning for longer life is a factor I did not often see mentioned in articles and research about Social Security and retirement. Yet, with healthcare advances, older adults ARE living longer – and many are living longer with chronic illnesses. Three in four Americans age 65 and older have multiple chronic conditions including heart disease, cancer, emphysema, diabetes, stroke or dementia.<sup>6</sup> These are diseases that, even a decade ago, would have resulted in earlier death.

Each month, nearly 63 million people receive a Social Security payment. 43.7 million are retired workers whose average monthly benefit is \$1,461. Could you live comfortably on \$1,461 a month?

According to the Government Accountability Office (GAO), 29% of older Americans have neither a pension nor a defined contribution plan.<sup>7</sup> Additionally, the GAO notes, “Social Security provides most of the income for about half of households age 65 and older.”<sup>8</sup>

For those 29% of Americans without retirement savings: They are not doing okay. They were among the working poor in 2001, and they were among the retired poor in 2016. These are older adults who are now trying to live on \$20,901 or \$1660 a month – the equivalent of living on \$10/hour. It is incredibly hard to live on Social Security.”

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<sup>5</sup> ACL Profile of Older Americans, 2017

<sup>6</sup> Healthy People.gov

<sup>7</sup> The Nation’s Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security GAO-18-111SP: Published: Oct 18, 2017. Publicly Released: Oct 18, 2017.

<sup>8</sup> <https://www.bloomberg.com/news/articles/2019-03-26/almost-half-of-older-americans-have-zero-in-retirement-savings>

In many instances, the benefit amount is much less. Lifespan routinely assists older adults whose Social Security ranges from \$800 to \$1,000 a month – and that’s it. That’s their income for the month. Many are women without a substantial work history who rely on survivor benefits -- which is significant as almost half of older women (45%) age 75 and older live alone.<sup>9</sup>

We know an 84-year-old woman who lives on \$1440 a month in Social Security. When her husband died in 2018, she lost both his pension and Social Security income. We also know Sam and Angelica, both in their early 80s. Sam’s former employer folded – taking his pension with it. They counted on the three-legged stool, but with Angelica’s dementia illness, most of their savings are gone. Sam told his daughter that it would be better if both just died.

I grant you that another segment of current retirees is living the proverbial “golden years.” The legs of their retirement stools are hardened with a defined pension benefit, savings, housing equity, Social Security or other income sources. At the upper end, they can even self-insure against long-term care or health care expenses. At the upper end, they can sell homes and afford independent living communities, assisted living or skilled care.

Even those older Americans in a middle tier who can rely on the three legs of the stool are fine – fine, that is, until care is needed in the home or in a nursing home. What happens then is that \$60,000 in annual income and \$400,000 in savings can be depleted in as little as three years.

Lifespan is home to the Upstate New York Elder Abuse Center.<sup>10</sup> Older adults who are financially abused by family, friends, advisors all too often lose everything but Social Security. Financial exploitation is the most common form of elder abuse. In Rochester, a Kodak retiree fell and suffered a brain injury. While he was recovering, his son used power of attorney to completely drain the account. The retiree was 62 at the time. His only source of income after his account was depleted was Social Security. Another victim lost \$150,000 and then also had to solely rely solely on Social Security. These are not isolated stories. The 2011 New York State Elder Abuse Prevalence

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<sup>9</sup> ACL Profile of Older Americans, 2017]

<sup>10</sup> <https://www.lifespan-roch.org/upstate-elder-abuse-center>

Study<sup>11</sup> found that in any one-year period 260,000 older New Yorkers become victims of abuse/financial exploitation. This prevalence most likely holds true throughout the country.

### **Future Retirees**

The outlook for future retirees is wobbly at best. The traditional “three-legged stool” of retirement, pensions, personal savings and Social Security is mostly history. Only 38% of baby boomers have or expect a pension. In 2019, the youngest boomers are 55, the oldest are 73.

The bad news, according to a 2016 Government Accounting Office (GAO) report is that 48% of Americans approaching retirement have nothing saved in a 401(k) or other individual account. Two in five of such households did have access to a traditional pension, However, 29 percent had neither a pension nor any assets in a 401(k) or IRA account.<sup>12</sup>

The Northwestern Mutual 2018 Planning & Progress Study<sup>13</sup> published in March 2019 found that:

- One in three baby boomers (33%) have between \$0-\$25,000 in retirement savings.
- Three quarters of Americans believe it is "not at all likely" or only "somewhat likely" that Social Security will be available when they retire.
- Nearly half (46%) of adults have taken no steps to prepare for the likelihood that they could outlive their savings

According to a study of 3,000 Gen X'ers by Allianz Life. Median,<sup>14</sup> their median retirement savings for is only \$35,000, the same median amount as millennials, despite Gen Xers being much closer to retirement.” It is estimated that 34% of Gen X has no retirement savings at all.<sup>15</sup> In 2019, the Gen X cohort is age 40 to 54.

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<sup>11</sup> <https://www.nyselderabuse.org/training-materials/>

<sup>12</sup> Estimate from the GAO is a brief update to a more comprehensive 2015 report on retirement savings in the U.S. Both are based on the Federal Reserve’s Survey of Consumer Finances.

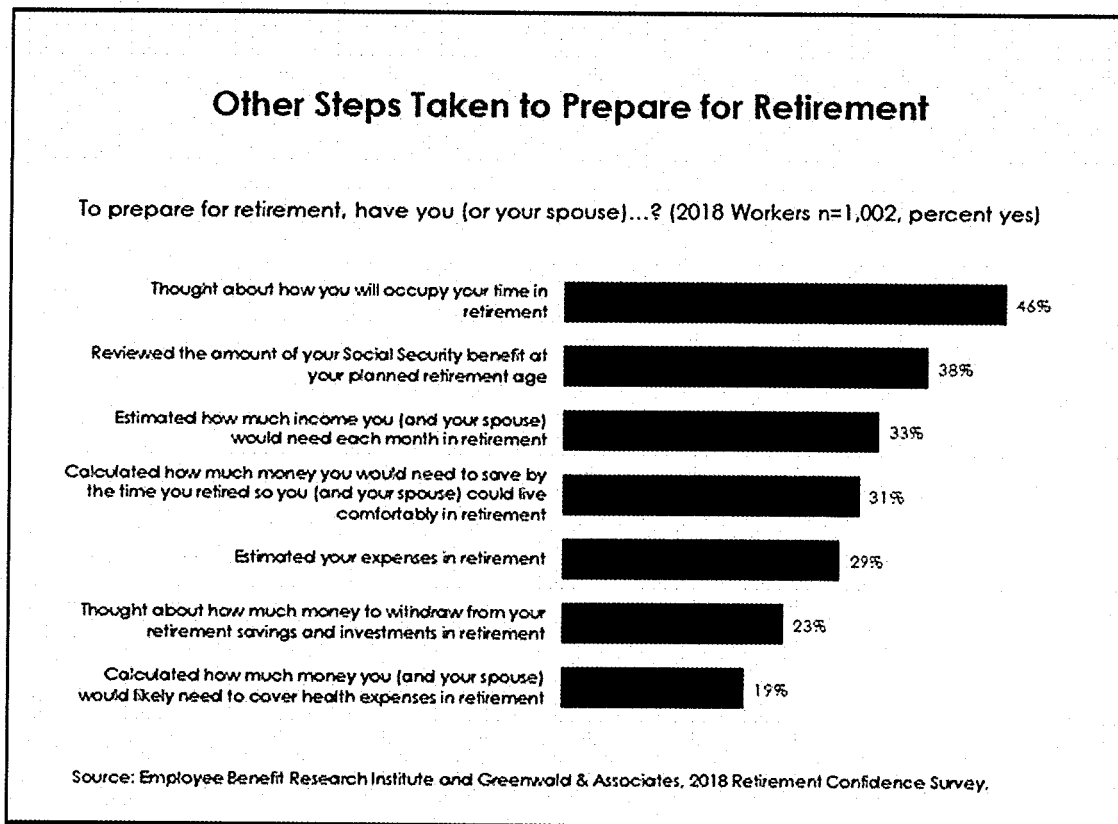
<sup>13</sup> <https://news.northwesternmutual.com/planning-and-progress-2018>

<sup>14</sup> <https://www.allianzlife.com/about/news-and-events/news-releases/Generations>

<sup>15</sup> [Personal Capital Study <https://www.personalcapital.com/assets/press-releases/src/Personal-Capital-Survey-Finds-Americans-Unprepared-For-Retirement.pdf>

The outlook for millennials is even more treacherous – nearly 60% have no retirement savings whatsoever, and today just 23% of employers even offer a defined pension benefit.<sup>16</sup> In 2019, the youngest millennials are 23. The oldest are 38.

Jack VanDerhei, Director of Research at the Employee Benefit Research Institute (EBRI)<sup>17</sup> says, “There’s an incredible amount of overconfidence out there, based on erroneous assumptions about what life will be like after retirement. Many people may be in for an unexpectedly rough ride when the reality of retirement sets in.” As the chart below shows, EBRI found that the majority of workers haven’t taken even the most basic steps to prepare for retirement, such as calculating savings, estimating expenses or reviewing Social Security benefits.



In a March 2019 Forbes article titled, “Americans Do Not Have Enough Retirement Savings, Really,”<sup>18</sup> Teresa Ghilarducci, an economics professor focusing on retirement security and

<sup>16</sup> The Street, March 2019

<sup>17</sup> <https://www.ebri.org/>

<sup>18</sup> <https://www.forbes.com/sites/teresaghilarducci/2019/03/28/no-americans-really-do-not-have-enough-retirement-savings/#1d7ba1912b21>

jobs, maintains that even the Government Accountability Office (GAO), "...understates the magnitude of the retirement savings crisis. For workers 55 -64, the average defined contribution was \$92,000—enough to provide an income of just \$300 a month over the course of retirement." More troubling, she notes the number of poor or near-poor people over the age of 62 is set to increase by 25% between 2018 and 2045, from 17.5 million to 21.8 million.

The data below from the Federal Reserve's Survey of Consumer Finances<sup>19</sup> shows the mean and median retirement accounts for people who have one. This data does not factor in figures for accounts that don't exist.

- Under age 35:

Average retirement account: \$32,500

Median retirement account: \$12,300

- Age 35 - 44:

Average retirement account: \$100,000

Median retirement account: \$37,000

- Age 45 - 55:

Average retirement account: \$215,800

Median retirement account: \$82,600

- Age 55 - 64:

Average retirement account: \$374,000

Median retirement account: \$120,000

- Age 65 - 74:

Average retirement account: \$358,000

Median retirement account: \$126,000

Pre-retirees also are underestimating health care costs. We know from experience and national surveys that a majority of Americans believe that Medicare pays for both care in your home and nursing home care. Most do not factor in out-of-pocket health care expenses for co-pays and premiums. The EBRI estimated in 2018 that a couple retiring today needs \$273,000 to have a 90%

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<sup>19</sup> <https://www.federalreserve.gov/publications/files/scf17.pdf>

chance of covering their health care costs in retirement, including Medicare, Medigap supplemental insurance coverage, and out-of-pocket spending. Fidelity estimated the cost at \$280,000. These estimates are just for medical expenses for ongoing health care and exclude potential costs for long-term care.

Profound changes in retirement funding have occurred over the last two decades. Yet, our knowledge of financial literacy is woeful. Most Americans have not been taught to manage investments. Because a majority of Americans do not feel competent to manage their retirement investments to a great extent those investments are ignored. Americans also are fearful of market investments – they've seen recessions nearly wipe out savings. And, they have regrets. Among those not confident they did a good job preparing for retirement, the top two things they wish they had done differently were to have saved more (63%) and to have started saving earlier. (58%) As one retiree said to me, "When you had a pension, they took care of it. Now they tell you that you have to take care of it. Then the stock market goes up and down. It's very hard to be sure of anything."

I must also address the age wave. Today about 52 million Americans are 65 or older. In just ten years, by 2030, that number jumps to 72 million. A decade after that 82 million Americans will be 65 or older. As president of an organization assisting older adults, I tell you emphatically that Social Security is critical. Yet without changes, the trustees warn us benefits will be cut by 2034. To survive as the bedrock of retirement security for older Americans, change must occur, but that change cannot include benefit cuts. The retirement crisis is real – at both the federal and personal levels.