MONEY & POLICY

How the Dream of Retirement Is Becoming a Nightmare

It's not all your fault that you don't have enough saved

- By Elizabeth White April 22, 2016

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None of us expected to be here — broke or near broke, unemployed or underemployed, working part-time at a job we hate with little to nothing in our savings account.

We grew up thinking retirement meant Florida and golf, not that most of us really wanted that. It definitely *didn't* mean living in our brother's basement or in some modest one-bedroom rental. We never thought in our 50s and 60s we'd be scrimping and scraping, borrowing money from our adult children or 84-year-old mother.

And yet, here we are…millions of us and millions more on the way.

> Excessive spending is not what landed millions of Americans here. The truth is for many households, there's nothing left to save after the bills are paid.

Half of Households Have No Retirement Savings

How bad is it? According to a May 2015 study by the Government Accountability Office (GAO) on retirement preparedness, half of American households have no retirement savings at all. That's zero: no 401(k)s, no IRAs, not a dime.

You're thinking maybe that's because near-retirees have a fat pension stashed away somewhere. You'd be wrong. According to the GAO, around 29 percent of households age 55 and older have neither retirement savings nor a pension.

And among those who do have some retirement savings, the median value of retirement accounts for households age 55 to 64 is about $104,000. Now $104,000 sounds a lot better than zero until you look at the retirement monthly income this savings would actually generate.

Drum roll please. According to the GAO, your $104,000 nest egg will generate an inflation-protected annuity of about $310 per month.

I stopped mid-mascara when I heard that.

Even when you add in the average monthly Social Security benefit of $1,335, it's still depressing.

Why Aren't Americans Saving More?

There's a lot of hand wringing about why Americans aren't saving more. Blaming and shaming is so deliciously tempting. We're told that it is our fault that after a lifetime of work we have not managed to save the 15 to 20 times our annual salary that financial experts tell us we'll need to maintain our current standard of living in retirement.

The same pundits finger wag and chastise us for being poor planners. After all, why on earth would we draw down our 401(k) to cover medical expenses, the monthly shortfall on our mother's nursing home care, our kid's education or just to survive? What were we thinking paying off that credit card debt (or something else; you fill in the blank)?

But let's get real.

Excessive spending is *not* what landed millions of Americans here. The truth is for many households, there's just nothing left to save after the bills are paid.

According to the Social Security Administration, in 2014, the average U.S. worker's pay was $44,569. If we set aside in savings the 20 percent financial experts tell us we'll need to maintain our current lifestyle in retirement, we're left with $35,655 to live on before taxes.

You might say: hard, but not impossible with some extreme belt tightening.

But here is the kicker. Sixty-seven percent of American workers make less than the average. The median wage in 2014 was $28,851. Subtract 20 percent, or $5,770 in savings, and you have $23,081 to live on.

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You're not going to save on these wages. It barely keeps you above the federal poverty line of $20,090 for a family of three. And you fall below it at $24,250 for a family of four.

Given this reality, no one should be surprised that more than half of Americans have less than $1,000 in their checking and savings accounts. This is paycheck-to-paycheck living, one surprise event from financial catastrophe.

The looming retirement income security crisis is also *not* caused by “a set of isolated individual behaviors,” according to Teresa Ghilarducci, a labor economist and leading authority on the economics of retirement.

In other words, we’re not here because we’re a country of irresponsible slackers or because we overspent on luxury items trying to keep up with the Joneses.

Squeezed between 30 years of flat and falling wages and escalating costs in housing, healthcare and education, it’s doubtful that kicking our daily latte habit (if we had one) would have made much of a difference in our retirement savings.

America’s Structural Problem

The real problem is structural and baked right into our retirement security system.

The three-legged stool of retirement income we boomers thought we could count on — Social Security, company pensions and personal savings — has gone wobbly. With the declining availability of employer-funded pensions; the inadequacy of 401(k) plans with their steep fees and dependence on people’s voluntary savings for 40 years; stagnant wages and the sharp drop in personal savings, many near-retirees are left with what some experts describe as the “pogo stick” of Social Security to negotiate their Golden Years.

And how much is that? According to the Social Security Administration, the average retiree is receiving just $1,335 per month or $16,020 annually, just above the federal poverty guidelines ($15,930) for a two-person household.

What this means is that most of us will not be buying that condo in Costa Rica advertised in glossy retirement living publications. We won’t be traveling the world anytime soon or forging those remarkable second and third acts we read about in the popular press. Many of us are facing a work-for-life proposition, isolated and alone, worried about how we’re going to survive when our money runs out.

And how big is the shortfall? According to the Pension Rights Center, the deficit between what Americans have and what we need to retire is $7.7 trillion.

Wrap your brain around that number. It assumes we will be spending down ALL of our assets, including home equity.

A Plea to the Presidential Candidates

Now you'd think that a problem of this magnitude and urgency would have garnered some serious airtime in the presidential debates, but so far not so much.

Certainly, it is a big concern and top priority for millions and millions of Americans, and not only boomers. Millennials, too, are worried about what to do with their parents who are now running out of money. As one friend said to me recently: "You better get along with your adult offspring, you're going to end up living with them."

So presidential candidates, what's your plan for dealing with the retirement security crisis?

As you know, we boomers are a little old for hollow reassurance. We know the debates, heavy on sound bites and entertainment, are not the best platform to address a subject as complex and serious as retirement-income security. But you can lay out your priorities.

Oh and one last thing: Puleeeze, don't talk to us about cutting Social Security.

For millions of Americans, Social Security is *The Retirement Plan*: 65 percent of beneficiaries depend on it for half or more of their monthly income. Without it, nearly half of women 65 and older would live in poverty or extreme poverty. Let's not gloss over what extreme poverty means. It means living on less than $5,885 per year or $490 a month.

So when you threaten to cut entitlement programs like Social Security, what you're really talking about is dooming millions and millions of boomer-age women to misery and destitution. Boomer-age women who vote.

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