Saving for Retirement

Here are some fast facts about retirement and the State of Vermont.

The Growing Need for Adequate Retirement Income

Vermont's Retirement-Age Population is Growing

- In 2014, 16.9% of Vermont's population was 65 years old and older - nationally 14.5%. (U.S. Census)
- By 2030, more than 29% of Vermont's population will be age 60 and older. (U.S. Census)
- In 1940, the life expectancy of a 65-year-old was almost 14 years, today it is more than 20 years. (Social Security Administration)

Reliance on Social Security as the Major Source of Retirement Income Remains

- Social Security replaced just 40% to 42% of pre-retirement income for medium wage earners - $43,084 in 2010. (Board of Trustees, Federal Old-Age & Survivors Insurance & Federal Disability Insurance Trust Funds)
- As of 2014, the average monthly Social Security benefit paid to a retired Vermont worker was $1,333. (Social Security Administration)
- More than 40 million retired workers and their dependants receive Social Security benefits of more than $50 billion a month. (Social Security Administration)
- With the decline in coverage from traditional pension plans, Social Security is the only guaranteed monthly income for a majority of older consumers. Approximately two-thirds of the nearly 4 million Americans aged 65 and older who receive Social Security benefits depend on it for 50% or more of their retirement income. (U.S. Consumer Financial Protection Bureau, 2015)

The Growing Need for Retirement Savings

Facing Financial Insecurity in Retirement

- Four in 10 late boomers - currently ages 51-59 - are reaching retirement with limited or no savings and are projected to face a savings shortfall. (U.S. Consumer Financial Protection Bureau)
- The typical working-age U.S. household has $3,000 saved for retirement. (National Institute for Retirement Security, June, 2013, Federal Reserve's Survey of Consumer Finances)
- Retirement savings may be taking a back seat to immediate financial concerns. Cost of living and day-to-day expenses head the list of reasons why workers do not save (or save more) for retirement, with 53 percent of workers citing this factor. Debt is another factor with 58% of workers and 44% of retirees reporting a problem with their level of debt. (Employee Benefit Research Institute, 2014)

Benefit of Delaying Retirement Not Understood or Prevented by Health & Labor Market Concerns

- 22% of workers say the age at which they expect to retire has increased. Workers most frequently cite the poor economy (22%), lack of faith in Social Security or the government (19%) and the inability to afford retirement (19%) as reasons for postponing retirement. 69% of workers say they plan to work for pay after they retire. ***However, nearly half (48%) are not at all confident about finding paid employment in retirement.*** (Employee Benefit Research Institute, 2014)
- About half (49 percent) of retirees say they left the workforce earlier than planned, often to cope with a health problem or disability (61 percent) or to care for a spouse or other family member (18 percent). (Employee Benefit Research Institute, 2013)

- There is a need for financial education prior to making the decision on when to claim Social Security benefits. Many Americans do not take advantage of the option to receive a higher monthly Social Security benefit by waiting to claim until they reach full retirement age. In 2013, approximately 46% of claims were submitted at age 62. This decision is made despite a longer life expectancy projected for many Americans who will have to finance more years in retirement. The claiming-age decision is often based on limited information about the financial impact of that choice. (U.S. Consumer Financial Protection Bureau, 2015)

Status of Retirement Savings Plans at the Workplace

Workplace Plans Not Serving a Majority of Workers

- 51% of the workforce has no private pension coverage and 34% of the workforce has no savings set aside specifically for retirement. (Social Security Administration)
- Data from the U.S. Census Bureau shows 61% of all workers over age 16 had an employer that sponsored a pension or retirement plan for any of its employees in 2012. Workers participating in a plan increased to 46% in 2012, up from 45% in 2009. (Employee Benefit Research Institute)
- Among workers with access to a retirement savings plan, the primary plan for 78% of workers was a 401(k)-type defined contribution plan and the primary plan for 21% of workers was a pension or defined benefit plan. (Employee Benefit Research Institute)
- About 45% of Vermont workers ages 18 to 64 in the private sector work for businesses that do not offer a retirement plan. Workers in Vermont with fewer than 100 employees are much less likely to have access to a plan (61%) than workers in larger businesses (29%). In raw numbers, about 69,000 small-business employees do not have access to a retirement plan compared with about 35,000 in businesses with 100 or more workers. (AARP Public Policy Institute, August, 2015)
- In Vermont, small businesses represent 96.3% of all employers and employ 59.7% of the private-sector labor force. (2010 data) Most of Vermont's small businesses are very small, as 76.3% of all businesses have no employees and most employers have fewer than 20 employees. (Small Business Administration)

Growing Need for Government Services for the Retired

Financial Requirements for States Growing as Population Ages

- The sharp rise of older populations means states will be forced to dedicate higher percentages of their budgets to social services. The federal government pays the costs of Medicare, the program that provides health care to senior citizens, but states subsidize housing, transportation, home care and other costs. With higher percentages of seniors, states have smaller tax bases to draw from to pay for those services. (GovBeat, The Washington Post, Sept. 12, 2013, "The Northeast is getting older, and it's going to cost them")
- Policymakers face the challenge of understanding and managing future Medicare spending. Under current projections, . . . it will rise to 9.2 percent of gross domestic product in 2050. Demographics will be a key factor: The first wave of baby boomers turns 65 in 2010, (RAND Corporation Research, "Future Health and Medical Care Spending of the Elderly", 2005)
- A major public policy concern in the long-term care field is the potential burden an aging society will place on the care-giving system and public finances. The "2030 problem" involves the challenge of assuring that sufficient resources and an effective service system are available in thirty years, when the elderly population is twice what it is today. (Health Services Research, August 2002)