

FAMILIES NEAR RETIREMENT ARE BEING SQUEEZED

With stagnating wages, rising prices, and a collapsing housing market, most Americans are feeling the strains of a weak economy. For families nearing retirement, there is the added problem of dwindling assets. Millions of families are vulnerable to low incomes in retirement, especially since far less than half (43.2 percent) of private sector workers have an employer-sponsored retirement plan, either a traditional pension or a retirement savings plan. Now more than ever we need a new direction in economic policy, aimed at restoring broad-based growth, reducing the high costs of health care and energy, improving retirement security, and increasing prosperity for all Americans. [Congressional Research Service, available [here](#).]

The Housing Crisis Has Jeopardized the Economic Security of Homeowners Nearing Retirement. Families own less of their homes than ever before: the ratio of homeowner's equity to value is at an all-time low, as they now own an average of just 46 percent of their home, down from almost 58 percent in 2000. A recent study estimates that a 10 percent further decline in real home prices could result in a 35 percent decline in the net worth of households with a family member between the ages of 45 and 54 by 2009. That leaves a family in the middle-wealth bracket with an average of only \$97,600 in assets for their retirement. [Center for Economic Policy Research, available [here](#); JEC April 10th State-by-State Subprime Foreclosure Report, available [here](#); Federal Reserve Board of Governors, Flow of Funds, available [here](#).]

Retirement Security Is Threatened by Declining Stock Market. Falling home prices will leave families with less wealth and increasingly dependent upon Medicare and Social Security income for their retirement security, but stock market losses are also adding to retirement insecurity as families see the value of their 401(k) plans dwindle. Since September 2007, the S&P 500 has dropped 17.4 percent; it is now 6.3 percent lower than it was in January 2001. [Standard & Poor's 500 Index, available [here](#).]

Families Nearing and In Retirement Are Being Squeezed By Rising Expenses. Median income among families nearing retirement (families headed by someone aged 55 to 64) was \$70,719 in 2006, up 5.9 percent from \$66,768 in 2000.* However, for families headed by someone 65 or older, real median income was just \$40,786, up just \$624 from 2000. For retired families on fixed incomes, rising costs eat up larger share of their family budgets. Since 2000, the average price of gasoline has increased 145 percent to \$4.06 per gallon and the average family health insurance premium has jumped 41 percent to \$11,765. [U.S. Census Bureau, Current Population Survey, available [here](#); Energy Information Administration, available [here](#); U.S. Department of Health and Human Services, available [here](#).]

Older Workers Are Now Losing Jobs. After years of lackluster employment gains, the economy is now losing jobs: workers between the ages of 55 and 64 have lost 63,000 jobs since December 2007. Unemployment among older workers rose from 2.7 percent in 2000 to 3.3 percent in 2008. There are now over 900,000 workers between the ages of 55 and 64 unemployed – 395,000 more than when President Bush took office. [Bureau of Labor Statistics, U.S. Department of Labor, available [here](#).]

Near-Retirement Workers See Weak Wage Growth. During the 2000s economic recovery, inflation-adjusted wages of workers ages 55 to 64 grew at an annual rate of 1.1 percent. [Bureau of Labor Statistics, U.S. Department of Labor, available [here](#) and JEC analysis.]

Six Million Americans Over 55 Were Living in Poverty in 2006. Nationwide, 2.8 million Americans aged 55 to 64 – or 8.8 percent of the near-retirement population – were living below the poverty line in 2006. In addition, 3.4 million Americans 65 and over (or 9.4 percent of the elderly population) were living below the poverty line in 2006. The total national poverty rate was 12.3 percent in 2006. [Bureau of the Census, U.S. Department of Commerce, available [here](#).]

Older Americans Struggle With Rising Health Care Costs. In 2006, 4.1 million Americans between the ages of 55 and 64 (12.7 percent) had no health insurance, 1.1 million more than in 2000. Most every American over age 65 receives Medicare, but families are paying more for supplemental “Medigap” and prescription drug coverage. Between 2000 and 2007, the cost of medical care has increased an average of 4.3 percent per year, far faster than median income for older workers [Bureau of the Census, U.S. Department of Commerce, available [here](#); Bureau of Labor Statistics, Consumer Price Index for Medical Care, available [here](#).]

* All dollar values (except gas prices, which are current) are in 2007 CPI-U-RS dollars.