

RRF STRATEGIC PRIORITY AREA:

ECONOMIC SECURITY IN LATER LIFE

Valuing the dignity of older people through efforts that ensure and protect their economic security and well-being

Long-Term Vision

In selecting Economic Security in Later Life as a Strategic Priority Area, RRF Foundation for Aging envisions that all older people will have the means to achieve a secure and dignified retirement. They will have sufficient income to meet their basic expenses; be provided with assistance, if needed, to plan and manage their income and savings effectively in later life; and be assured of a stable national retirement system that provides the supports, services, and protections needed to achieve and maintain basic economic security.¹

Background

Economic security is defined as access to income, assets, and community-based supports necessary for older people to meet basic needs in retirement. An estimated 25% of older couples and slightly more than half of older adults in single-person households do not have adequate income.² Several conditions are converging to push these numbers higher:

- Cuts to vital safety net programs (e.g., Medicaid, Medicare, and SNAP) to address the nation's growing deficit, coupled with rising costs of deductibles, copays, and premiums for healthcare.
- A third of adults age 65 or older live in households where Social Security provides 90% or more of their income, but the Social Security benefit is being eroded, and the program is at risk due to policy changes that could adversely affect it and a projected shortfall, as increasing numbers of boomers enter retirement and the U.S. population ages.
- An estimated 215 million older people are eligible but do not apply for benefits on the table that could be used to lift them out, or at least reduce the depths of their poverty.

¹ The U.S. retirement system is supported by three main pillars: Social Security, employer-sponsored pensions or retirement savings plans, and individual savings.

² The Elder Economic Security Standard Index (Elder Index) is a basic needs threshold based on the larger expenses common among households with elderly members. It was cited in the Congressional Budget Office's 2017 report, *Measuring the Adequacy of Retirement Income: A Primer*, as a better measure than the Federal Poverty Level or Supplemental Poverty Measure to determine the adequacy of retirement income.

- Today, most employers do not offer traditional pensions plans; many existing plans are underfunded, and the PBGC,³ which insures benefits, may have insufficient funds in the future to pay all claims fully.
- 25% of older adults do not have any retirement savings whatsoever; many who do have savings have inadequate amounts and/or are ill-equipped to plan and manage their retirement accounts.

Opportunities

There are several challenges to helping older people achieve economic security in later life. Some aspects of economic security are beyond the immediate control of older people and require policy changes. The aging services network is limited in its ability to meet the retirement security needs of older people. Despite these challenges, there are many opportunities that RRF could support to improve older people's economic security throughout the remainder of their lives.⁴

Examples of funding opportunities for this Strategic Priority Area may include (but are not limited to):

- Apply existing, realistic retirement security standards to public policy (e.g., there will be greater uptake of the Elder Index or other appropriate tools to determine eligibility for benefits programs, rather than the Federal Poverty Level).
- Close the poverty gap for women, the population with greatest retirement risk,⁵ racial and ethnic minorities, and those living in rural areas (e.g., these populations will demonstrate better financial literacy, enroll in benefits programs, and increase/manage their income and savings better).
- Address affordable housing as a key aspect of retirement security (e.g., there will be an increase in federal funding for, and more units of, affordable housing for older people; they will spend a smaller portion of their income on housing).
- Improve affordability of healthcare, including long-term care, as essential to retirement security (e.g., Medicare will be preserved, coverage will improve, and rising healthcare costs will be controlled; the capacity of service providers to help older people navigate complex healthcare coverage options will improve).
- Promote and protect employment opportunities (e.g., there will be an increase in federal funding for employment and training supports and reforms in age discrimination policies).
- Protect retirees from reductions in defined benefit (DB) plans while resolving fiscal problems of the DB system (e.g., more retirees recover their earned pensions; DB plan insolvency solutions will be implemented without massive cuts to retiree benefits).

³ Pension Benefit Guaranty Corporation serves as the insurer of private-sector defined benefit plans up to certain legal limits.

⁴ RRF acknowledges the importance of theoretical research in the area of retirement security. However, the Foundation prefers to support applied research that has immediate application to improving retirement security for older people.

⁵ Women age 65+ are nearly twice as likely to live in poverty in comparison to men age 65+.

- Close the benefits gap (e.g., the number and percentage of eligible older adults enrolling in benefits programs and receiving benefits will increase; the percentage of new beneficiaries living below the poverty level will decrease).
- Strengthen Social Security (e.g., the program is restored to long-range actuarial balance without benefit cuts; the number or percentage of older people who opt for early benefits will decrease).
- Protect older people from harm caused by financial fraud and exploitation (e.g., consumer financial protections targeting older people will be strengthened).