

People Need Pensions

Millions of Americans are heading toward an inadequately funded retirement. Without adequate income, older adults will lack the resources that enable them to live independently, afford health care, and continue to contribute to society. While Social Security has kept the majority of older adults from sinking into destitution, far too many retirees are having trouble making ends meet.

The statistics are startling:

- Half of all Americans age 65 or older have incomes of less than \$18,819 a year – far less than the amount that most need to meet their day-to-day living and health care expenses.
- Social Security payments to retirees average only \$14,766 a year, roughly two-fifths of their earnings before retirement. This is below the federal minimum wage of \$15,080, and about half of what retirees need if they are to maintain their living standards in retirement.
- Most older adults have little in savings. Only 52 percent receive income from financial assets. Half of those receive less than \$1,260 a year.

Even more disconcerting is the fact that the poverty rate among older adults in the U.S. is the fifth highest among major industrialized countries.

The principal reason so many older Americans become poor when they retire is that we rely on a patchwork of private retirement income programs to supplement our Social Security system.

- Older adults who have pensions typically have at least twice the income of those living only on Social Security – \$31,077 per year.

Congress has recognized the critical importance of pensions and retirement savings plans by providing them with preferential tax treatment. For 2012, the tax subsidy for private and public retirement plans is \$135.8 billion, the largest of all federal tax expenditures.