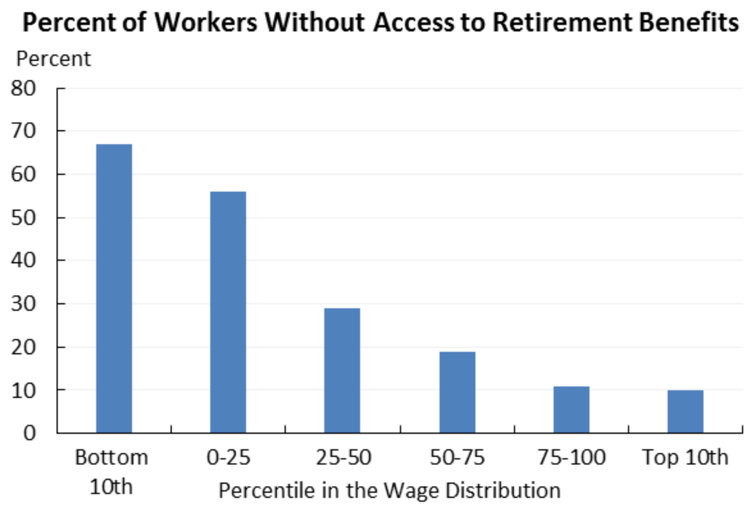
The Retirement Crisis

American workers are facing a retirement crisis. Far too many workers do not have access to a retirement savings plan through their employer and scores more earn too little to save. As incomes stagnate, workers face tough choices that leave American families vulnerable to future financial insecurity.[i] Lawmakers must focus on policies that broaden access to retirement savings options, which includes supporting state and local proposals that incentivize saving.

Limited Access to Saving Tools

More than 30 percent of workers do not have access to retirement benefits through their employer.[ii] For low-wage workers, the situation is bleaker: nearly 70 percent of the lowest-paid workers do not have access to a retirement plan compared to just 10 percent of the highest-paid workers (Figure 1).

Figure 1

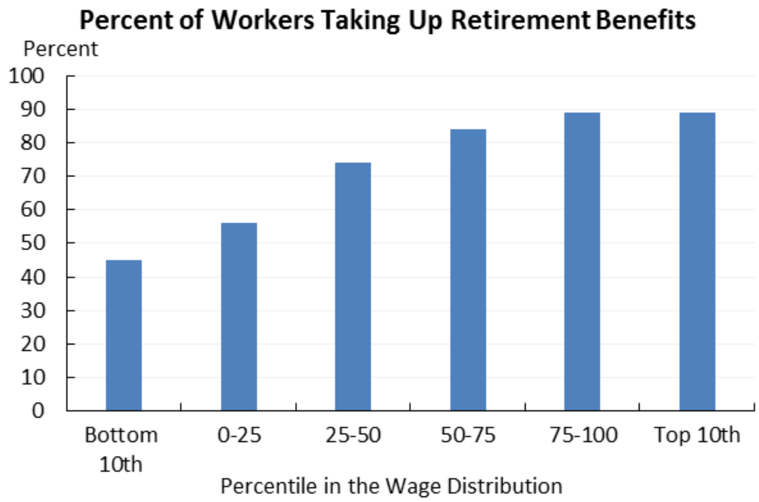


Source: Bureau of Labor Statistics, National Compensation Survey March 2016, Table 2

Income Stagnation Limits Saving Opportunities

For those low-paid workers who do have access to retirement benefits at work, most are unable to participate because their incomes are too low to provide enough money left over to save. Almost half of households report that their entire income is taken up by household expenditures, leaving no room to save.[iii] A household with average income of $49,500 a year spends (on average) $6,300 a year on food, $16,600 a year on housing expenses, $9,600 a year on transportation, and $4,200 a year on health care.[iv] Overall, households spend about 26 percent of their income on housing (although that number is higher for poorer households).[v] Thus, only 45 percent of low-paid workers are able to take up retirement benefits, compared to nearly 90 percent of the highest paid workers.

Figure 2

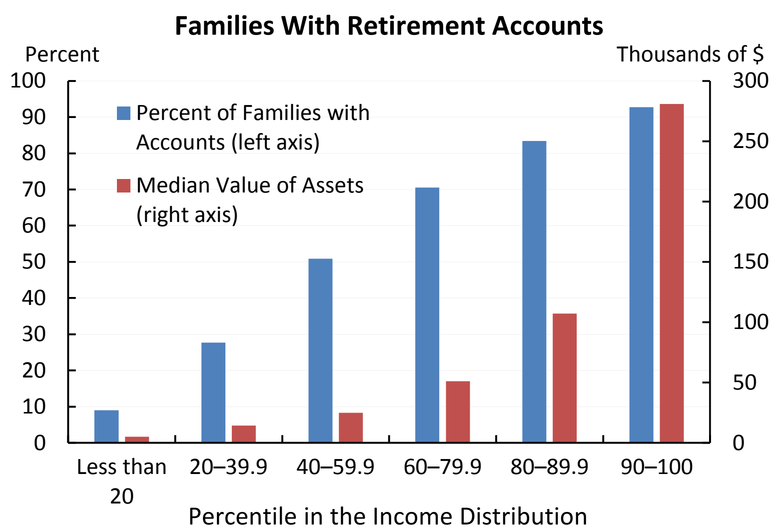


Source: Bureau of Labor Statistics, National Compensation Survey March 2016, Table 2

Unprepared for Retirement

Limited access to employer-offered retirement plans plus stagnant incomes means that many families are not prepared for retirement. Less than half of families have retirement accounts.[vi] Ownership of retirement accounts is heavily skewed toward richer families: 93 percent of families in the top 10 percent of the income distribution have retirement accounts, compared to just 9 percent of families in the bottom 20 percent (Figure 3). Wealthier families also had much more money in their accounts – about $281,000 compared to $5,000 for the lowest-income families.

Figure 3

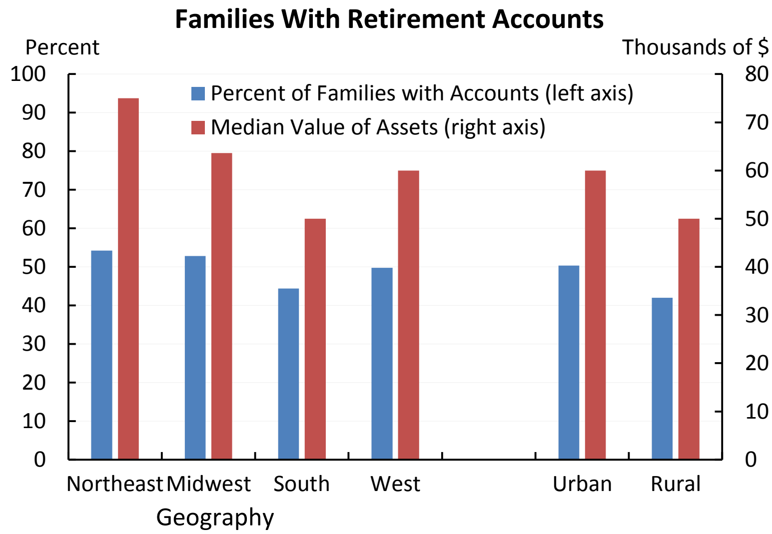


Source: Survey of Consumer Finances, 2013, Table 6

Geography Matters

People in rural areas and in the South are less likely to have retirement accounts, and of those who do, they have less saved up (Figure 4). Only 42 percent of people in rural areas have retirement accounts, compared to 50 percent of those in urban areas. In the South, only 44 percent of people own retirement accounts, compared to 54 percent in the Northeast.

Figure 4



Source: Survey of Consumer Finances, 2013, Table 6

Without improved access to retirement benefits, Americans will continue to struggle to provide a safe and secure retirement for themselves and their families.

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[i] https://fred.stlouisfed.org/series/MEHOINUSA672N
[ii] https://www.bls.gov/ncs/ebs/benefits/2016/ownership/civilian/table02a.htm
[iii] http://www.pewtrusts.org/~/media/assets/2015/01/fsm_balance_sheet_report.pdf
[iv] From the Consumer Expenditure Survey, looking at the sixth decile of income and using the averages for that category. https://www.bls.gov/cex/2015/combined/decile.pdf
[v] Joint Economic Committee Calculations from the Consumer Expenditure Survey. https://www.bls.gov/cex/2015/combined/decile.pdf. Median household income by state and rent costs by state can be found in the Joint Economic Committee State by State reports. https://www.jec.senate.gov/public/_cache/files/86a379e5-9765-4508-81af-a89338cebd3e/state-economic-snapshots-april-2017.pdf
[vi] Survey of Consumer Finances, 2013.