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The Aging of America: A Changing Picture of Work and Retirement

By Angela M. Antonelli

Who hasn't seen the happy birthday wishes sponsored by [Smuckers](#) to celebrate Americans around the country turning 100 years old? It used to be a rarity and cause for celebration when a relative hit a centennial birthday. However, new data suggest that this will become the norm in the not-too-distant future. According to the [World Economic Forum](#) (WEF), today's 20-year-olds can expect to live to 100 and 10-year-olds can expect to live to 103.

But what does living longer mean? Although older Americans could work a few years longer, perhaps into their 70s, the reality is longer lifespans mean many more years in retirement, putting pressure on individuals who will need to plan and save accordingly; on a healthcare system that will be used more heavily; and on federal, state, and local budgets to pay for programs that will have to serve more people for more years, especially those with insufficient retirement savings.

As a nation, we are getting older and a higher percentage of the population will be entering retirement years. The [U.S. median age](#) rose from 35.3 on April 1, 2000, to 37.9 on July 1, 2016. The baby boomer generation began turning 65 in 2011 and 10,000 of them are turning 65 every day between now and 2030. In 2000, there were 35 million Americans age 65 and older. This number grew to 49.2 million in 2016, accounting for [15.2 percent](#) of the population. By 2030, this number will grow to 74 million, according to an analysis of [U.S. Census](#) data by the Urban Institute.

Average life expectancy is also increasing. In the U.S., it [increased](#) from 68 years in 1950 to 79 in 2013. [Today](#), a male turning 65 is expected to live to age 84.3 on average, while a 65-year-old female is expected to live to 86.6. Of the babies born in 2007, [50 percent](#) are now predicted to live to 104 in the U.S.

This is not just a U.S. phenomenon. According to the United Nations, the number of people 80 years of age and older globally is [predicted to triple](#) in less than four decades, growing from 137 million in 2017 to 425 million by 2050.

Older Americans Are Working Longer and Often Part-time

More people age 65 and older are staying in the workforce. More than [9.1 million Americans over 65](#) were working either part- or full-time as of January 2018. This represents a 60 percent increase in just a decade, according to the Bureau of Labor Statistics (BLS). Many of these individuals are self-employed, are working part-time, and may not have employer benefits such as a retirement savings plan. Between 2016 and 2026, the BLS [projects](#) the labor force growth rate of those age 65 to 74 years of age to be more than 50 percent and the growth rate for those 75 years of age and older to be more than 91 percent. This is compared to a 6.6 percent projected growth rate in the labor force as a whole.

Women in particular are working more and longer. Between 1975 and 1993, about a [quarter](#) of females age 55 or older were working. By 2013, this figure increased to 35.1 percent and a higher percentage of women age 55 or older are working part-time. The [AARP](#) reports that 53 percent of women and 37 percent of men who are employed between the ages of 65 to 74 work part-time.

A much larger proportion of those currently working today, compared to recent retirees and workers 20 years ago, expect to work past age 65. A recent [Gallup poll](#) suggests that more people will stay in the workforce past conventional retirement ages, with 74 percent of those currently employed responding that they intend to continue working after age 65. This reflects a significant shift since 1995, when almost one-half of respondents said they would retire before age 65 and only 14 percent said they would stop working after age 65.

Living Longer Increases Financial Fragility

While health and technological advances have helped more Americans live longer, there are ramifications for the economic well-being of older Americans. Quite simply, living longer requires more money and the expenses for the very old, particularly for health and long-term care needs, can be significant.

Today, millions of older Americans already live in poverty. The supplemental poverty rate (which factors in government programs designed to assist low-income families and individuals) is [13.7 percent](#) for those age 65 and older, or approximately 6.5 million people in 2015 (this is higher than the [8.8 percent](#) of this age group captured by the official poverty rate). If Social Security income were to be excluded from this income measure, the supplemental poverty rate for those 65 and older would triple.

Many more Americans are simply not saving enough. In a 2015 report, the U.S. Government Accountability Office (GAO) found that about [half](#) of households approaching retirement (age 55 or older) had no retirement savings in a defined

contribution (DC) plan or an IRA, and half of households age 65 and older relied on Social Security for most of their retirement income. The median amount for the 48 percent of households 55 and older that had some retirement savings was \$109,000. About [55 percent](#) of households ages 55–64 had less than \$25,000 in retirement savings and 41 percent had zero. While most households in this age group have some other resources or benefits from a DB plan, 27 percent had neither retirement savings nor a DB plan.

Even older Americans who report entering retirement with what they believe is sufficient income, or those who continue working part-time to supplement their retirement savings, risk quickly becoming financially fragile, or are affected negatively by changes in marital status, health status, and debt levels, from which they no longer have time to recover. For example:

- **Health status affects the ability to work longer.** While improvements in health are allowing people to work longer, there is now reason for concern for future retirees because recent declines in the health of middle-aged adults may halt this trend. According to the Urban Institute, the percentage of those age 51 to 54 reporting fair or poor health between 1992 and 2010 [increased](#) from 17 to 22 percent, as diabetes has become more common.
- **Marital status matters more at older ages.** Nearly three-fourths of men age 65 and older are married, compared with only half of older women. Unmarried older women are [three times](#) more likely to be impoverished than married couples and roughly 1.5 times more likely to be impoverished than unmarried men. The [GAO](#) found that marital status changes such as divorce and widowhood near retirement had more-pronounced negative effects on women's retirement income than on men's.
- **More Americans are carrying more debt longer than ever before.** According to the [Urban Institute](#), the number of adults age 65 and older with household debt increased from 30 to 44 percent between 1998 and 2012. The number of older households with outstanding mortgage debt grew from 16 percent to 24 percent and the prevalence of other types of debt, including credit card debt, has also grown over time. The median debt level among older adults has increased 74 percent over this time.

The increase in life expectancy is certainly worth celebrating, but it creates significant challenges based on current trends in working, retirement savings and health.

Living Longer Requires Rethinking Retirement Planning

If today's children are likely to live to 100, policymakers must start *now* to consider what it means for the long-term sustainability of our retirement system. How well does

living longer match with the realities of aging, workforce participation, and lifetime earnings? Is it possible for individuals to have sufficient income in retirement if you are likely to work at most 45 years out of those 100 years? If millions of Americans are expected to live well into their 80s and 90s and have no little or no savings, or outlive their savings, what will be the impact on government programs?

Employers also should be willing to engage with their employees about these issues now and what these concerns mean for their retirement plans. Consider asking employees, at what age would you like to retire? Have you taken all the possible costs into consideration, such as health and long-term care, if you do live 20 or 30 years after you stop working? Does it make sense to work longer? Should you be saving more? What are the best type of investments for you to accomplish your retirement goals? How should you withdraw money from your retirement plan so it can last if you live to 100?

Unfortunately, a recent study by the [National Institute on Retirement Security](#) suggests we may already be missing an opportunity with millennials, concluding that [two-thirds](#) of working millennials have nothing saved for retirement and only 5 percent are saving 15 percent of their salaries as [recommended](#) by financial experts. This is creating serious shortfalls in savings that may prove very costly decades from now.

Conclusion

The ability to educate and inform millennials and younger generations will be critical to strengthening retirement security and the nation's economic well-being. The nature of work is changing, [as younger generations](#) more frequently change jobs and take on freelance work. Their access to retirement savings options can be more limited at a time when life expectancy continues to increase, requiring income to last longer and making end-of-life expenses greater. Innovation in retirement savings options will be critical to meeting future needs.

Both the public and private sectors must rise to address these challenges. States have already begun to take on the challenge, establishing public-private partnerships to expand access to retirement savings options for private sector workers, including contingent and gig workers. The private sector is also [beginning to accelerate its efforts](#) to expand access to the information, products, and tools to help workers better manage their savings up to and through retirement. But there is still a long way to go with much at stake. The long-term demographic, health, and economic trends cannot be ignored — they must be a call to action.

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Additional Resources:

Bureau of Labor Statistics, "[Older workers: Labor force trends and career options](#)," May 2017.

United States Census Bureau, "[The Baby Boom Cohort in the United States: 2012 to 2060](#)," May 2014.

Urban Institute, "[How Retirement Is Changing in America](#)," February 2016.

World Economic Forum, "[We'll Live to 100 – How Can We Afford It?](#)," May 2017.

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