After the Fact | The American Family: The Not So Golden Years

Originally aired May 24, 2019

Total runtime: 00:15:54

TRANSCRIPT

Dan LeDuc, host: If there's one word that describes what's happening with today's American family, it's delay.

Couples are delaying when they get married. Women are waiting to have children. And, as it turns out, as people get older they're delaying retirement. Two thirds of Americans say they expect to work past age 65—the reason why? Concerns that they won't have enough money to live comfortably. In fact, the Pew Research Center found that 46 percent of American adults are worried they won't have money saved to retire.

I'm Dan LeDuc and 46 percent is our data point for this episode of "After the Fact"—our fourth and final installment in our series on today's American families.

[Transition music]

John Scott, director of retirement savings at Pew: So, we know that Americans are working longer than they have previously. So, since the 1980s, labor force participation has increased for those who are 55 and older. It's leveling off at around 40 percent of this older group. And according to the Federal Reserve, only 22 percent of American workers say they will stop working altogether in retirement. And according to our survey, nearly two-thirds of workers said they were likely to work past 65.

Dan LeDuc: That's John Scott. He directs the retirement savings project at The Pew Charitable Trusts.

John Scott: We also know that a lot of Americans are concerned about their retirement security. Some people enjoy the work that they do. But in our own survey of workers, the majority felt that they would be forced to do so out of financial necessity. And this is most prevalent among women and low- to moderate-income respondents who said they felt they would need to work in retirement.

Dan LeDuc: Like Sharon Cutler, who's 71 and needs to work to support herself and her husband, Steve. We caught up with her at their home in Chicago, amid a bunch of moving boxes.

Dan LeDuc: You're packing up because we're in Chicago now, but you're going to be moving to Florida soon.

Sharon Cutler: To Florida, right.

Dan LeDuc: Where in Florida?

Sharon Cutler: Boca Raton—

Dan LeDuc: OK.

Sharon Cutler: —which is where New Yorkers go—

Dan LeDuc: That's right.

Sharon Cutler: —to retire.

Dan LeDuc: Right.

Sharon Cutler: But I'll be the only one in a development of 7,500 condos that's not retired. I don't really think it'll be that bad, but I will be working.

Dan LeDuc: She and Steve raised their kids in New York and were looking forward to retirement. Life had been good.

Sharon Cutler: Had some money in the bank, had a beautiful home on Long Island, and was with the man of my dreams. Dined and wined and all that great stuff. Good friends. And then things changed. We overspent, and we did a lot of extravagant things. We didn't save as much as we should have.

Dan LeDuc: The Cutlers have been in Chicago to be close to family but the move to Florida is meant to reduce their cost of living. They're part of a new generation of retirees in America, some of the first to actually be retiring and having to rely on their own savings rather than traditional pensions.

John Scott: We're moving from a system where—we use the term defined benefit pension plan or traditional pension plan—where the employer basically made all the decisions. They decided how much they would put in, how to invest the funds in the plan. And really, all the worker had to do was claim their benefit when they retired, typically at age 65.

We are moving to this system of defined contribution retirement savings plans, sometimes called 401K plans or individual retirement accounts. The key point is that the worker bears all the responsibility for those decisions. So, they decide whether to join the retirement plan, how much to save in the plan, how to invest their savings, and when they do reach retirement age, how to take the money out. Should I take it out as a lump sum? Should I take it out periodically? So, all those decisions have shifted from the employer to the worker.

Dan LeDuc: About half of American retirees are getting a pension these days, but only 10 percent of current workers are in a pension plan for when they retire. Sharon and Steve offer a glimpse into what the future may look like for many people. Steve has disability, Social Security, and a 401K—which they've tapped for recent medical expenses—and that's about it.

Sharon Cutler: Oh, it's much lower than I prefer, and we're going to have an action plan that we're working on—or I'm working on, rather—to make money in the future so that we'll be able to do the extras that we want to do.

Dan LeDuc: And despite the best laid plans, it's hard to foresee health issues, home repairs, and other financial emergencies which don't go away in retirement. Here's John Scott.

John Scott: Life happens. Poor health. You can be laid off, and it's well known that it's more difficult to find a job at the older ages. Sometimes changing family circumstances such as a spouse retiring or maybe having to care for your parents. A lot of talk around the sandwich generation, where you have children and aging parents that you need to take care of. All these can impact that decision to retire and cause some people to retire earlier than they had hoped to.

Dan LeDuc: Life happened to the Cutlers, which set them back on their retirement plans.

Sharon Cutler: After the economic turnaround in 2008 we had had hers and his cancers. So that debilitated us a bit. It's just part of life. I can't explain it, but the unexpected always happens to us. And, you know, we deal with it. We deal with it. I was more concerned about my husband, because he has been ailing a little bit now and he's out on disability from his job. So, I was concerned about him and going to doctors. That became my life for the last 10 months.

Dan LeDuc: Sharon is now Steve's main caregiver.

Sharon Cutler: We found out through EEGs of his brain that he had had several silent strokes. He also had heart disease, two stents put in. He has some issues with walking a lot. That could be from diabetes, too. And what else is there? What else could go wrong? Different things. We've had a good team of doctors. He's doing incredibly, considering that several years ago he had stage four cancer all over his body. And now he doesn't have cancer, and he doesn't—he's getting better.

Dan LeDuc: Back to John Scott, who also has research on the financial impact on unpaid caregivers.

John Scott: And I think this is a critical issue for a lot of folks because—and for our society—because we are aging, we have a lot of older people. We have spouses taking care of spouses. We have children taking care of their parents. For example, in 2016, family caregivers of adults on average spent $7,000 out-of-pocket related to their caregiving, which was roughly equal to 20 percent of their total income. As a result of those out-of-pocket expenditures, caregivers reported tapping into their savings, cutting back on spending, saving less for retirement, and taking on debt.

[Music transition]

Dan LeDuc: The Cutlers acknowledge they didn't try hard to save for retirement. That's one concern of the do-it-yourself retirement era. We then met up with Patricia Cotton, who showed us another concern many Americans are experiencing—they're saving but it's just not enough. Patricia moved to the United States from Trinidad in the early 1960s, became a U.S. citizen, married, divorced, raised a family and worked hard as a nurse's aide. She was looking forward to retirement, which now starts with her daily walk.

Patricia Cotton: I wake up at five in the morning, and I go out to walk. I leave my house at 6:30, and I go out to the mall. Mall opens at 7, so I go to the mall, and I walk for six miles. And I do a 20-minute mile.

Dan LeDuc: Good for you.

Patricia Cotton: And it takes me two hours.

Dan LeDuc: And do you meet up with friends there?

Patricia Cotton: Oh, yes, a lot of seniors.

Dan LeDuc: And what do you all talk about when you walk?

Patricia Cotton: What we talk about? We talk about politics. We talk about what we did yesterday, where we're going for vacation. We talk about our children, our grandchildren. Most of the conversation is family.

Dan LeDuc: But she didn't retire until she was 72.

Dan LeDuc: Did you plan to work to that age?

Patricia Cotton: I had to plan it, because I was working on my savings. I was working on my retirement money. And I know my Social Security couldn't do it for me.

John Scott: It's important to keep in mind that most Americans save for retirement through their employer.

Dan LeDuc: That's John Scott again.

John Scott: Less than 15 percent of Americans save for retirement outside of their job. But a significant minority don't have a plan through their employer, and quite a few more don't participate even when they do have a plan at their employer.

Dan LeDuc: Patricia is part of the minority who never had a 401K plan with her employer, so she really did it herself, saving what she could.

Dan LeDuc: All those many years when you were working, were you putting money aside for retirement?

Patricia Cotton: Yes, every week, because that's how I was raised. My mother always say, if you work for 25 cents, put away 5 cents. If you work for 20 cents, you cannot spend 25 cents. That was a good lesson. Every week, I took my money out to the bank first.

Dan LeDuc: Of course, the question is, how much do you need to save? The answer varies by the individual and family, but as the do-it-yourself retirement era takes hold, it means people like Patricia are working longer than they had planned to.

John Scott: The 401K plan, which I think most people are familiar with as the main retirement savings vehicle today, came into being in the late 1970s and really began being adopted by large corporate employers in the mid to late 1980s. And it's about that time where we saw that gradual uptick in labor force participation.

And it makes sense because when—under the old system with a traditional pension, if you're promised a retirement benefit at age 65, people focus on that age and they're going to retire at that age. So, I think there is a direct correlation between this shift from one retirement system to a new retirement system where you're not sure when you're going to be able to retire because you're not sure how much you're going to have in your retirement savings account.

Dan LeDuc: Even with employer-provided retirement accounts, many Americans still don't take advantage of putting money aside for retirement.

John Scott: According to one Transamerica study, they found that an alarming 30 percent of retirees didn't save for retirement at all. So, they're completely dependent on Social Security. And when you consider that the average Social Security benefit's only about $16,000 a year, a little more than $1,000 a month, that's not a lot of money that people have.

And so, people like Patricia, even when they've saved, it may not be enough. They're basically covering probably their daily living expenses. And then, when they do have shocks, like a health scare like cancer or a loved one needs care or something else happens these things add up, and they aren't really covered by those periodic payments from Social Security.

Dan LeDuc: Financially, do you feel like you're OK?

Patricia Cotton: Yes, I am fine, because I'm living within my means. There was a lot of things that I used to do, I don't do anymore. Because I don't want to use that money to do that when I would need it for the most important things. What I don't do for myself anymore is shop for clothing. I don't go shoes. My most money that I spend is on food. I pay my utility bills. I pay my house property tax. I pay my car insurance. And when I'm through with that, I just have to say, well, nothing else could come out. I make a list of what I have to do, and I do the important things.

Dan LeDuc: So, what are some of the important things you want to make sure you have money for?

Patricia Cotton: My great-grandkids and my grandkids, some of them live away. I like to go to Trinidad at least once a year to see my family there. So that is the most important thing on my list that I save my money for—to see my family.

Dan LeDuc: Patricia tried to do "everything right" to prepare for what she hoped would be a comfortable life in retirement. She paid off her mortgage as a solo mother of four, paid off her loans, saved what she could and yet is still not as well off as she should be in retirement.

Having a job that automatically enrolls employees in a retirement plan is helpful, but isn't available to everyone—especially people who have unconventional jobs and have to rely on themselves for their financial planning.

John Scott: There are a lot of part-time workers in this country. And only about 32 percent of those part-time workers have a plan at their workplace. There are a lot of nontraditional workers, between 10 and 20 million independent contractors, and there's 7 million more who are gig workers like Uber drivers or temp staff or freelancers. Only about 24 percent of those nontraditional workers have a retirement plan at their job.

Dan LeDuc: Some good news. For one thing, Social Security and Medicare are working well and experts believe they are one of the key reasons why the poverty rate for older Americans is half that of children in this country. Also, as workers learn they need to save, employers and policymakers are seeing the need to make it easier to do that.

John Scott: We're learning a lot from research about what works and what doesn't work. So, for example, in the prior generation, if you wanted to save for retirement, you would have to walk down the hall to your HR department, fill out a form or maybe a series of forms, and then have that whole process start from there. We understand that inertia is a big barrier for a lot of folks. And so, we're taking inertia and putting it on its head, and we're using tools like automatic enrollment where instead of having to fill out a form, it's filled out for you. You're automatically enrolled in the retirement plan, and so you don't really have to do anything unless you don't want to save.

But overall, I think we're seeing some positive trends.

Dan LeDuc: While Patricia worked longer than she would have liked and doesn't have as much in retirement as she would prefer, she concentrates on what is important to her at this stage of life. She walked us down the hallway of her house in Maryland.

Patricia Cotton: This is my twin great-grands. These are my grands. All right through. There's many pictures of them, but there's only seven grands, because every time I see them I take a picture. *[Laughter]* This is another great-grand and all the rest is grands. These are twins, these here are twins. Twins, too. I have another set of twin great-grands. And this is my son and his children.

Dan LeDuc: I like your pillow: "Our family may not have it all together, but together we have it all."

Patricia Cotton: That's right.

[Transition music]

Dan LeDuc: Over these last four episodes we've been reporting the data and the stories behind those numbers that provide a portrait of today's American family. We'd love to hear some of your stories, too. Please email us at podcasts@pewtrusts.org or message us on Twitter—@pewtrusts.

We're grateful to the many people who shared their family life with us. Listening to them reminded us that data and trends may change over time but that there are some lasting truths about families. We'll leave you with something that Tracey Bernstein said when we visited her and her husband and their two sons.

Tracey Bernstein: Families come in all different shapes and sizes, and they're made of all different kinds of people. You know, it doesn't matter as long as it really boils down to giving love to another human being.

Dan LeDuc: I'm Dan LeDuc, thanks for joining us.

[Close (female voice), over music] "After the Fact" is produced by The Pew Charitable Trusts.