

ARE BABY BOOMERS SAVING ENOUGH FOR THEIR RETIREMENT?

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What do people need and what do they have?

- The importance of taste
- CBO findings

Risks in retirement

- Longer and uncertain life.
- Health care costs, especially long-term care.
- Possible changes in Social Security and Medicare
- DC substituting for DB plans
- Bequests – a beneficial risk

SAVINGS TARGETS

- Some determinants:
 - Married or single
 - Kids. Were they in college?
 - Own a house
 - Is mortgage paid off? If not, what are terms?
 - Expect to be in nursing home?
 - Defined benefit plan
 - Age of retirement
 - Saving rate while working

Savings Targets

Age 55 Retire at 65

Single, \$68,000, house	\$136	272
Married, \$68,000, house, 2 kids	99	221
Single, \$136,000, house	637	964
Single, \$136,000, no house	1,040	1,357
Married, \$136,000, house, 2 kids	506	850
Married, \$136,000, house, 2 kids, DB=.3	3	95

Effects of Working Longer

- Work one year income up 9%
- Work five years income up 56%

Tabulations of wealth quartiles by income quartiles	N	% of Pop	All Household Wealth			All Non-Residential Household Wealth		
			Q1	Median	Q3	Q1	Median	Q3
All	3679	100.00	\$52,330	\$186,500	\$557,230	\$12,650	\$71,230	\$318,100
INCOME								
Income, Q1: Median: \$17,457; Range: \$0 to \$31,833	597	24.60	\$4,320	\$28,500	\$98,400	\$900	\$5,940	\$30,200
Income, Q2: Median: \$46,209; Range: \$32,860 to \$62,639	626	24.81	\$50,930	\$143,800	\$277,300	\$14,250	\$45,200	\$113,500
Income, Q3: Median: \$83,177; Range: \$63,666 to \$108,849	649	25.86	\$103,500	\$299,800	\$568,520	\$38,990	\$110,940	\$334,900
Income, Q4: Median: \$416,912; Range: \$109,876 to \$58,716,753	1807	24.73	\$331,400	\$799,000	\$1,740,300	\$141,900	\$528,600	\$1,147,200

Table 3: Defined Benefit and Social Security Wealth for those Aged 51-55 by Income Quartile, 2004

	Defined Benefit Wealth			Social Security Wealth		
	25th	50th	75th	25th	50th	75th
All	\$0	\$0	\$89,050	\$89,835	\$158,047	\$221,752
Income Quartile						
First Median inc. \$17,457	\$0	\$0	\$0	\$49,014	\$77,441	\$119,189
Second Median inc. \$46,209	\$0	\$0	\$60,465	\$82,917	\$131,845	\$185,774
Third Median inc. \$83,177	\$0	\$46,550	\$207,112	\$141,634	\$185,388	\$236,045
Fourth Median inc. \$416,912	\$0	\$0	\$151,523	\$166,419	\$224,358	\$281,954

Conclusions

- Large part of very bottom prepared because of Social Security.
- What about the rest?
- Are we defining “prepared” properly?