

Financial Lives After 50: Rethinking the Golden Years



WHEN RETIREMENT DREAMS MEET FINANCIAL REALITIES

Thinking about retirement brings plenty of uncertainty for Paul, a farmer based in central Iowa. The father of three adult children worked hard throughout his life to create a comfortable savings cushion. But with the threat of unpredictable medical bills, what he saved to support his family in their later years may not be enough to make ends meet in their 70s and beyond.

As a result, Paul is facing the difficult task of transitioning his business to position himself for retirement. After decades of farming, Paul needs to sell parts of the business to pay off existing farm debt. "It's always been real easy for me to build something," he says. "It's hard for me to tear something down."

Paul isn't the only one feeling unsure about his financial well-being once he retires. Rather than a paid-off mortgage, retirement savings, and stable health benefits, many people in their 60s and beyond are worrying about the essentials. One out of three people in the U.S. who are over 65 are

unable to pay for basic needs including food, medicine, and housing.¹ And, like Paul, many farmers and small business owners are making difficult decisions about how to retire. The most recent study from the U.S. Department of Agriculture shows that in 2012, as many as a third of U.S. farm and ranch operators were already over the age of 65.²

"They not only have the challenges of growing older, but they also have the challenges of being financially unstable," says Financial Health Network's Sarah Parker. "The realities of growing older in America are very different from our perceptions."

Debunking Retirement Myths

This wasn't the case when people over 50 were entering the workforce for the first time. In the past, people retiring from full-time work benefitted from employer pension plans. In addition to pension plans, it was also more likely that they had a paid-off mortgage and sufficient healthcare coverage. Living off a fixed income in retirement, even if it meant sticking to a smaller budget, felt more financially secure.

That kind of security as individuals approach retirement age is nearly non-existent now, especially for low- to moderate-income adults. Today, only 19% of all workers have access to a pension plan, and while defined contribution plans (e.g., 401(k)s) are more common, many workers in lower-wage work during the second half of the 20th century have been impacted by the increase of hiring practices that offer few or no benefits.³

¹ "You Gave, Now Save: A Guide to Benefits for Seniors," National Council on Aging.

² Sophie Quinton, "As Farmers Retire, Their Families Face Difficult Choices," Pew Trusts, March 27, 2019.

³ Libby Reder et al., "Designing Portable Benefits: A Resource Guide for Policymakers," Aspen Institute Future of Work Initiative, June 2019.

19% of all workers have access to a pension plan.

80% of retirement income is spent on five core expenses: healthcare, food, clothing, transportation, and housing.

As a result, nearly 80% of retirement income for those 65 and older is spent on just five core expenses: healthcare, food, clothing, transportation, and housing.⁴ This provides little wiggle room to deal with a financial emergency. “Not having savings creates a domino effect,” says Howard, 81, from Skokie, Illinois, who recently needed to borrow \$2,000 from credit cards to purchase a car. “Sometimes you have to borrow from one [card] to pay off the other.”

Contrary to beliefs that debt is paid off by this stage in life, nearly seven in 10 adults over 55 carry debt: 59% have housing-related debt and 35% are still paying down auto loans.⁵ For seniors who hold debt, the median amount was \$40,900 in 2013 — double the amount in 2001.⁶

Koren, 69, who lives outside of Las Vegas and is a full-time caretaker for her husband, understands the pressure debt adds. “We just need to make sure we have gas and food, so that’s our priority right now,” she says. The couple’s day-to-day priorities of keeping the household running have meant diverting retirement savings.

The Savings Puzzle

Looking back, many older adults wish they had earmarked more savings for retirement. Even with decades spent working, 65-year-old grandmother Cathy felt she never had the ability to save. As individuals grow older, expenses such as medical bills and an increasing debt load make it even more difficult to save. Roughly three in four low- to moderate-income adults over 50 report not having money left over at the end of the month with regularity, making savings nearly impossible.⁷



Without a savings cushion, Cathy finds herself still working paycheck to paycheck and wondering if she will be able to afford to retire. At one point, she recalls saving \$300 just to see the savings disappear when she needed to fix her car. Nowadays, much of her income from her job as a caregiver goes to paying off prior medical bills and treating her 7-year-old grandson.

“It gets a little scary sometimes. I think, ‘Am I going to be able to retire in two years? Or am I going to have to just keep working,’” she shares.

FINANCIAL LIVES AFTER 50: RETHINKING THE GOLDEN YEARS

is a six-part video series that follows the lives of low- to moderate-income adults over 50 across the U.S. It offers an inside look at what it means to age in America and what needs to be done to foster financial resilience in millions of homes around the country.

Watch Episode 5 for a look at retirement realities.

⁴ Steven A. Sass, “Will the Financial Fragility of Retirees Increase?” Center for Retirement Research, No.18-4, February 2018.

⁵ Patrick Kiger, “Half of 55+ Doubt They’ll Be Debt Free,” AARP, January 19, 2018.

⁶ “You Gave, Now Save: A Guide to Benefits for Seniors,” National Council on Aging.

⁷ “U.S. Financial Health Pulse: 2019 Trends Report,” Financial Health Network, 2019.

PRESENTED BY:



SPONSORED BY:



IN COLLABORATION WITH:

