Opening Statement
Senator Susan M. Collins
Special Committee on Aging

"State of the American Senior: The Changing Retirement Landscape for Baby Boomers"

September 25, 2013
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Mr. Chairman – On January 1, 2011, the first members of America's "Baby Boom" generation celebrated their 65th birthday. Since that day, more than ten million Americans have reached that milestone, and ten thousand more will be added to that number every day for the next 17 years.

After four decades in the workforce, these Americans should be confident they will have the resources to enjoy their retirement years without fearing they will run out of money and fall into poverty.

Yet, far too many American seniors struggle to get by and have real reason to fear that they will outlive their savings. Nationally, one in four retired Americans has no source of income beyond Social Security – in Maine the number is one in three – and four in ten rely on that vital program for 90 percent of their retirement income. Bear in mind that Social Security provides an average benefit of just $1,230 per month – less than $15,000 per year. It is hard to imagine stretching those dollars far enough to pay the bills – certainly a "comfortable retirement" is out of the question.

The likelihood that a retiree will face poverty rises with age, and is three times higher for the unmarried elderly than for the married.

The importance of Social Security to low-income retirees cannot be overstated. Social Security benefits represent 85 percent of the income of low-income retirees. By contrast, retirees in the top income quarter receive just 17 percent of their income from Social Security.

According to a Gallup survey published last year, more than half of all Americans are worried they will not be able to maintain their standard of living in retirement, up sharply from 34 percent two decades ago. They are right to be concerned: projections published in 2010 by the Employee Benefit Research Institute (EBRI) show that nearly half of “Early Boomers” – those between ages 56 and 62 when the study was conducted – are at risk of not having enough money to pay for basic costs in retirement, including uninsured health care costs.

EBRI found that the risk of inadequate retirement income has risen across all age groups and income levels since its previous study in 2003. “Early Boomers” will need to save an additional 3 percent of compensation each year to cut in half their chances of running out of money in retirement, just to make up for the losses they sustained in the 2008-2009 financial crisis.

To a great extent, the decline in retirement security is traceable to the severity of that crisis, which wiped out nearly one-quarter of the accumulated wealth of all U.S. households. Seniors were particularly hard hit. While the weak financial recovery has restored some of their losses, many retirees have been forced to accept a lower standard of living that is likely to be permanent.

Other factors that have weakened the retirement security of today’s retirees are rising health care costs, the need for long-term care, and the fact that Americans are living longer than they did in the past. The shift from employer-based “defined benefit” plans – pensions – to “defined contribution” plans like 401ks, has also played a role.

Employees of small businesses are much less likely to participate in employer-based retirement plans. According to a recent GAO study, more than half of the 42 million Americans who work for businesses with fewer than 100 employees lack access to a work-based plan to save for retirement. Proposals to make it easier for small businesses to provide access to retirement plans for their workers could make a significant difference in the financial security of many Americans as long as they do not impose costly new mandates that discourage smaller companies from hiring employees in the first place

Again, Mr. Chairman, thank you for calling this important hearing. I look forward to hearing from our witnesses.