



INSIGHT®

CENTER FOR COMMUNITY  
ECONOMIC DEVELOPMENT

# RETIREMENT SECURITY

We must **plan** for tomorrow, so  
our families can **live** for today.

Brief by Gabriela Sandoval

*Issue II of Retirement Security Series*

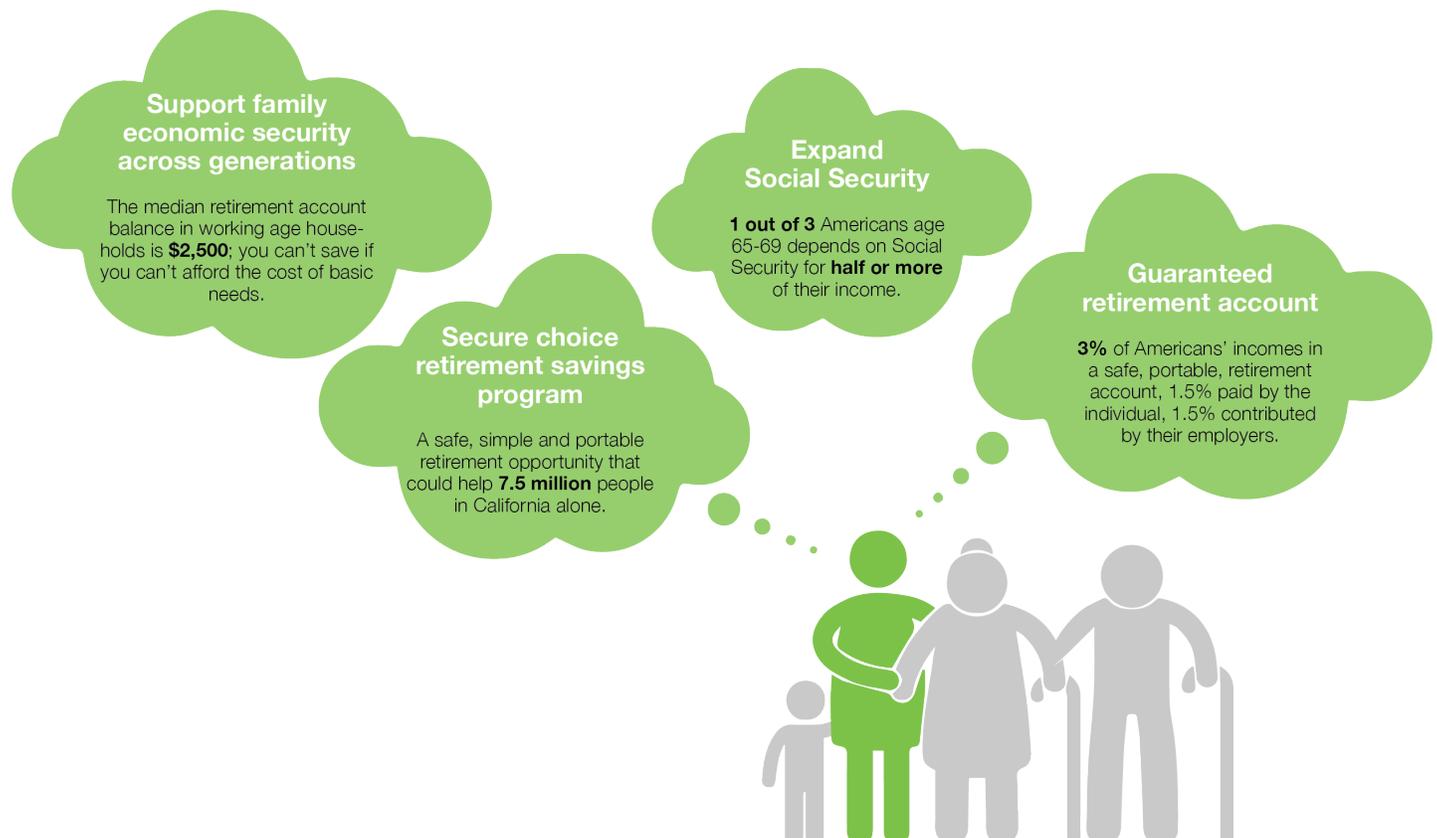
This work is made possible by generous support from  
the Prudential Foundation.

In our first Retirement Security Issue Brief, we defined retirement security and identified challenges to making retirement security accessible to all. Since its release, we've seen several important reports and opinion editorials published detailing the significance of identifying and promoting safe, accessible and portable retirement savings platforms, programs and products.

On January 1, 2016, economics professor, Teresa Ghilarducci and her colleague Hamilton James published an op-ed in the New York Times entitled, "A Smarter Plan to Make Retirement Savings Last" in which they outline Guaranteed Retirement Accounts (GRA). On January 26, 2016, Department of Labor Secretary Tom Perez and Jeff Zients, director of the National Economic Council and assistant to the president for economic policy published, "A More Secure Retirement for America's Workers" on the White House and U.S. Department of Labor Blogs, outlining our nation's need for retirement solutions and what the Obama Administration is doing to this end. On that same day, our CEO and President, Henry A.J. Ramos of the Insight Center for Community Economic Development also published an opinion piece exhorting us to address the impending retirement challenges entitled, "Wanted: A New 'New Deal' for the American Working Class."

Two other important and timely resources are available this month as well: a fact sheet on expanding social security by our colleagues at the Center for Global Policy Solutions and recommendations on program design for California's Secure Choice program.

This Retirement Security Issue Brief II brings these opportunities together in order for us to examine the possibilities. Now is the time to make retirement security a reality for all Americans.



## **OPPORTUNITY: Expand Social Security.**

Social Security is a federal program that provides social insurance for Americans. It enjoys broad public support and is critical to retirement. There is currently \$2.8 trillion in the Social Security trust funds. If we do not expand the program, there will be a long-term shortfall in 2034, at which time, Social Security will cover about 80 percent of scheduled benefits.<sup>i</sup> However, we **can** continue to make Social Security work for everyone and make it work better! Here are a few ways to expand the program:

- **Increase revenue** by eliminating the cap on payroll contributions (currently at \$118,500) and counting earnings toward benefits with a flatter formula;
- **Increase benefits** by a uniform amount equal to 5 percent of the average benefit. This will help protect people who work, especially those near retirement who do not have time to replace savings lost in the recent recession;
- **Increase the Special Minimum Benefit** to 125 percent of the federal poverty threshold in order to protect Americans who work and are struggling to make ends meet;
- **Provide a dependent care credit** to support people who work and have spent part of their lives caring for children and disabled or elderly dependents; and
- **Create a structural-unemployment credit** to offset current trends related to stagnating wages, structural unemployment and underemployment.<sup>ii</sup>

## **OPPORTUNITY: Secure choice retirement savings program.**

The Secure Choice Retirement Savings Program would provide private sector employees with a modest retirement savings platform. It would provide access to a voluntary, low-risk, low cost, portable retirement savings plan that facilitates contributions through payroll deductions. In California, for example, families are facing an impending retirement crisis, with almost half of the state's workforce facing retirement with incomes below 200 percent of the

federal poverty line. Secure Choice would contribute to the retirement security of more than 7.5 million Californians who work but do not have access to a retirement plan offered by their employers. In response, California created the Secure Choice Retirement Savings Investment Board in 2012. It is charged with determining the feasibility of establishing Secure Choice as a vehicle for retirement savings for Californians. Over 25 states are (or have been) in various phases of implementing, studying or otherwise considering Secure Choice proposals.<sup>iii</sup>



## **OPPORTUNITY: Guaranteed retirement account.**

A guaranteed retirement account (GRA) is a bolder step toward retirement security for all working Americans. In this plan, all people who work and their employers would contribute 1.5 percent of salary to their GRA. At retirement, the GRA would pay out supplemental income until the person and their beneficiary die. There are currently more than 95 million Americans who work and do not have a pension plan. This is an opportunity to create a GRA—to be managed by an independent federal agency—for every American who works. Guaranteed retirement accounts would increase retirement security for millions of families.<sup>iv</sup>

<sup>i</sup> Bethell, T.N., K. Arnold, and E. Schreur. (2015). Social Security Finances: Findings of the 2015 Trustees Report. National Academy of Social Insurance. Retrieved from [https://www.nasi.org/sites/default/files/research/SS\\_Brief\\_045.pdf](https://www.nasi.org/sites/default/files/research/SS_Brief_045.pdf)

<sup>ii</sup> For more on these and other opportunities related to the expansion of Social Security see: Smith, Leah. (2016). Expanding Social Security: A Strategy to Strengthen Retirement Security for Vulnerable Populations and Future Generations. Retrieved from <http://globalpolicy.org/wp-content/uploads/2016/01/Expanding-Social-Security.pdf>

<sup>iii</sup> <http://www.pensionrights.org/issues/legislation/state-based-retirement-plans-private-sector>

<sup>iv</sup> [http://www.nytimes.com/2016/01/02/opinion/a-smarter-plan-to-make-retirement-savings-last.html?action=click&pgtype=Homepage&clickSource=story-heading&module=opinion-c-col-right-region&region=opinion-c-col-right-region&WT.nav=opinion-c-col-right-region&\\_r=2](http://www.nytimes.com/2016/01/02/opinion/a-smarter-plan-to-make-retirement-savings-last.html?action=click&pgtype=Homepage&clickSource=story-heading&module=opinion-c-col-right-region&region=opinion-c-col-right-region&WT.nav=opinion-c-col-right-region&_r=2)

## **OPPORTUNITY: Support family economic security across generations.**

Retirement does not only affect those who have retired or will be retiring in the future. Rather, retirement is an issue that effects every generation—from seniors to college students, children to working adults. Family resources are affected by the demands of the changing economy in such a way that fewer and fewer families have the luxury of funding all of their needs—basic needs, childcare, student loan debt, saving for a child’s college education, saving for retirement and for the unforeseen economic crisis, like a family member’s health emergency. Instead, families are forced to make difficult choices about which of these needs to prioritize, and those who are struggling the most are often forced to choose between the most basic and urgent needs.

The pending retirement crisis was caused by bad policies, not by bad choices made by individuals. We have an opportunity to address this crisis through policy and practice as outlined above. However, until we accept that retirement security is an issue that affects us all—at every point in our lifetime—we will not be able to make significant progress towards securing a dignified retirement for all Americans.

In order to ensure all Americans have access to well-deserved retirement security we need to expand the following support systems:

- **Good Jobs**

Good jobs provide the pay and benefits required for people who work to be able to make ends meet, plan for the future and weather a crisis, such as an unexpected illness.

- **Childcare Support**

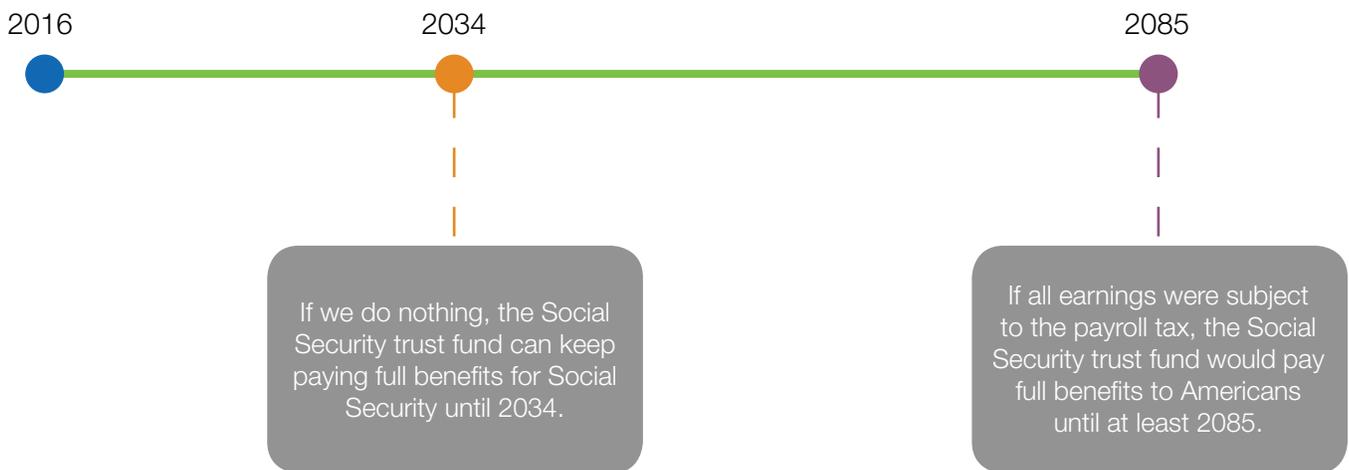
High quality, affordable childcare and early childhood education is not only a cornerstone of development; it also allows parents to work and provide for their families.

- **Cost of Education/Student Loan Forgiveness**

The skyrocketing cost of higher education must be addressed if we want to ensure the promise of America for young adults.

**This is the second in a three-part retirement security series outlining the challenges, opportunities and potential solutions to creating retirement security for all.**

## **SOCIAL SECURITY EXPANSION**



# RESOURCES

## Retirement Security is Structural *not* Individual

<http://www.marketwatch.com/story/dont-blame-yourself-retirement-crisis-stems-from-bad-policies-not-bad-habits-2015-10-29>

## Retirement Security and Cost of Living

<http://www.insightccd.org/tools-metrics/self-sufficiency-standard-tool-for-california/>

<http://www.epi.org/resources/budget/>

## Retirement Security and Debt

<http://money.usnews.com/money/blogs/on-retirement/2013/01/07/3-ways-debt-can-mess-up-your-retirement>

<http://csd.wustl.edu/publications/documents/wp13-34.pdf>

<http://www.demos.org/what-cost-how-student-debt-reduces-lifetime-wealth>

## Retirement Security and Education

<http://www.savingforcollege.com/college-savings-calculator/>

<http://www.insightccd.org/bootstraps/>

<http://www.hife-usa.org>

## Retirement Security and Elder Care

<http://www.insightccd.org/past-archives/insight-networks/building-economic-security-for-all-besa/measuring-and-addressing-older-californians-needs/california-elder-economic-security-index-by-county/>

<http://www.basiceconomicsecurity.org/EI/>

## Retirement Security, Gender and Race

<http://thenewpress.com/books/color-of-wealth>

<http://www.dol.gov/ebsa/publications/women.html>

<http://www.wiserwomen.org/>

<http://www.prudential.com/media/managed/aa/aa-facing-the-challenge.shtml>

<http://www.blackenterprise.com/money/black-women-behind-retirement-savings-three-ways-catch-up/>

<http://www.newrepublic.com/article/121084/urban-institute-study-minorities-have-built-less-wealth-whites>

[http://www.nirsonline.org/storage/nirs/documents/Race%20and%20Retirement%20Insecurity/race\\_and\\_retirement\\_insecurity\\_final.pdf](http://www.nirsonline.org/storage/nirs/documents/Race%20and%20Retirement%20Insecurity/race_and_retirement_insecurity_final.pdf)

## Retirement Opportunities

[http://www.huffingtonpost.com/henry-a-j-ramos/wanted-a-new-new-deal-for\\_b\\_9073550.html](http://www.huffingtonpost.com/henry-a-j-ramos/wanted-a-new-new-deal-for_b_9073550.html)

<http://www.equalvoiceforfamilies.org/broken-promises-smaller-middle-class-has-less-room-for-families/>

[http://www.nytimes.com/2016/01/02/opinion/a-smarter-plan-to-make-retirement-savings-last.html?action=click&pgtype=Homepage&clickSource=story-heading&module=opinion-c-col-right-region&region=opinion-c-col-right-region&WT.nav=opinion-c-col-right-region&\\_r=2](http://www.nytimes.com/2016/01/02/opinion/a-smarter-plan-to-make-retirement-savings-last.html?action=click&pgtype=Homepage&clickSource=story-heading&module=opinion-c-col-right-region&region=opinion-c-col-right-region&WT.nav=opinion-c-col-right-region&_r=2)

<http://globalpolicysolutions.org/wp-content/uploads/2016/01/Expanding-Social-Security.pdf>

<https://blog.dol.gov/2016/01/26/a-more-secure-retirement-for-americas-workers/>

<http://www.treasurer.ca.gov/scib/index.asp>