

# Low-Income Americans and Retirement Security

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## Key Points

- Low-income older adults heavily rely on Social Security for retirement income
- Older adults with multiple sources of retirement income have high net worths
- Median savings are significantly lower for Black and Hispanic households than white

Retirement security varies greatly along the income spectrum. The retirement savings programs that work best for low-income workers often are not the same as the programs that work well for high-income workers. Social Security functions as a critical source of retirement income for older adults with incomes below \$40,000, whereas high-income households benefit more from defined contribution plans, such as 401(k)s.

In 2016, older adult households with less than \$40,000 in annual income received 70 percent or more of their income from Social Security. This contrasts with households above \$80,000 who only received 24 percent of their income from Social Security.

Non-working, older adult households that receive Social Security income, but no income from defined benefit or defined contribution plans, had a relatively low net worth of \$80,405. In contrast, those older households with retirement income from all three of these sources had a net worth of \$319,050 - more than three times greater.

There is a sharp divide in wealth between homeowners and renters, even in the same income category. According to data from the Harvard Joint Center for Housing Studies, older homeowners in the lowest quarter of income-earners had non-housing wealth of \$12,500, whereas older renters in the same income category had non-housing wealth of \$1,100.

Interestingly, this sharp divide between owners and renters persists up the income ladder.

According to data from the U.S. Census Bureau, Black households in 2017 had median income that equaled 59 percent of the income of white households; for Hispanic households, it was 74 percent. This income inequality translates into inequality in retirement savings. The Kaiser Family Foundation found that among Medicare beneficiaries in 2019, white beneficiaries had median per capita savings of \$117,800, whereas Black beneficiaries only had \$14,500 and Hispanic beneficiaries had \$9,650.

## Sources of Income by Household Income Category

	<\$20,000	\$20,000- \$39,999	\$40,000- \$59,999	\$60,000- \$79,999	>\$80,000
Median Household Income	\$13,776	\$29,400	\$49,488	\$68,964	\$123,036

### Mean Sources of Income

Earnings	0%	8%	14%	22%	40%
Property Income	1%	3%	5%	7%	13%
Transfer Income	13%	2%	1%	1%	1%
Social Security Income	72%	70%	55%	41%	24%
Retirement Income	7%	13%	20%	23%	18%
Other Income	4%	4%	5%	5%	4%



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These wealth and savings discrepancies derive in part from vast inequalities in the ownership of financial assets. In 2016, the bottom 50 percent of Baby Boomers by net wealth only owned 2 percent of that generation's financial assets. For Millennials, the bottom 50 percent owned 6 percent of financial assets, but Millennials are experiencing deep inequality earlier in their life cycle than Baby Boomers.

There are ways to improve the retirement security of low-income individuals. Strengthening and expanding Social Security would do much to benefit these retirees as they rely so greatly upon it. For example, enhancing Social Security's minimum benefit to keep retirees with low career earnings out of poverty would raise the incomes of many older adults. Increasing access to workplace retirement

savings plans would improve the savings amounts of many low-income workers. Low-income workers are the least likely to work for employers that offer retirement savings plans, so the state-facilitated retirement savings plans such as CalSavers and Illinois Secure Choice can offer a needed savings vehicle for these employees.

## Retirement Income Sources of Households with Householders 60 years or Older, and Working Fewer Than 30 Hours Per Week, 2013

	DB Income: Median Amount <sup>b</sup>	DC Income: Median Amount <sup>b</sup>	SS Income: Median Amount <sup>b</sup>	Total Household Income: Median Amount	Household Net Worth (w/o retirement account assets): Median Amount
All Households <sup>a</sup>	\$0	\$0	\$18,120	\$33,408	\$139,900
SS Income Only	\$0	\$0	\$16,680	\$24,284	\$80,405
DB and SS Income	\$12,000	\$0	\$19,320	\$38,532	\$108,690
DC and SS Income	\$0	\$7,500	\$24,408	\$43,884	\$301,870
DB, DC, and SS Income	\$19,260	\$6,754	\$25,680	\$60,024	\$319,050
No DB, DC, or SS Income	\$0	\$0	\$0	\$10,056	\$12,480

## Sources

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