



Where We Stand

Middle-Class Workers' Retirement at Risk

Today's federal budget trends threaten tomorrow's retirement

by [A. Barry Rand, CEO AARP, AARP Bulletin](#), March 2013

[En español](#) | One of the more disturbing findings from the AARP Public Policy Institute's yearlong "[Middle Class Security Project](#)" is that unless we are able to reverse the trends that threaten the middle class, many of today's middle-class workers — especially those in their 20s, 30s, 40s and 50s — will not have a middle-class retirement. In fact, 30 percent of those currently in the middle class will become low-income retirees. This middle-class squeeze is not just a challenge for the 50-plus population of today, it's also a challenge for the 50-plus population of tomorrow.

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The combination of high unemployment, low savings, decaying pensions, decreased home values, higher health costs and longer lives means that too few people are accumulating a sufficient retirement nest egg. As a result, Social Security remains the critical foundation of income security for the overwhelming majority of people. For the nearly one-third of today's middle-class workers who will become low-income retirees, [Social Security](#) will represent more than 80 percent of their retirement income.

For the last year, we've asked our members how to protect Social Security and [Medicare](#) for future generations. Our initiative is called [You've Earned a Say](#), and we've heard from 6.5 million people so far.

They have considered a range of options, but two points are clear: First, they do not believe that Social Security should be cut to deal with the budget deficit. Second, they believe Social Security is important to their retirement security and are willing to pay more in order to maintain benefits.

As we look down the road, how we achieve Social Security solvency matters — to government, to business, to the economy and, most important, to people. But we can't look at solvency without also considering adequacy. The typical person age 65-plus has an income of only about \$20,000 a year, with a large chunk of that provided by Social Security. With no changes, that benefit drops by 25 percent in 2033.

There are many steps we can take to protect the future of Social Security and its beneficiaries. But the proposed change of the current cost-of-living index to the "[chained CPI](#)" is one of the worst. It cuts the benefits of those least able to afford it. Someone who began receiving benefits at 62, for example, would see her annual allocation reduced by one month by the time she turned 92. This would hit women especially hard because they tend to live longer than men, have lower incomes and be more dependent on Social Security.

Social Security was designed more than 75 years ago at a very different time. We need to make sure that the program serves our citizens for the next 75 years. The chained CPI doesn't do that.

It's time to have a full-blown national discussion about how to ensure that Social Security continues to contribute to the retirement security of older Americans in the future — not in the context of reducing a federal deficit it did not create, but with the goal of helping people achieve a comfortable retirement. Yes, we need to make adjustments to keep Social Security (and Medicare and Medicaid) strong. AARP members realize that, but we need to do so without compromising Americans' retirements or undermining the values that we all cherish.

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