### *AARP's Paradigm Shift on Social Security: A Sobering Wake-Up Call*

On June 17th the American Association of Retired People (AARP) announced that it would support targeted cuts for Social Security. This was the first time in its 53 year history when the organization supported benefit reduction. Liberals bemoaned the act as a cave-in to Republican congressional leaders while some conservatives stated that it vindicated President George W. Bush's 2005 effort to privatize at least a portion of the plan. Other commentators saw the move in pragmatic terms, noting that the AARP's lead policy "wonk," John Rother, had no alternative to countenancing cuts given the nation's unsustainable fiscal path. From this vantage, the AARP had to acknowledge current fiscal realities or be ignored in upcoming policy deliberations.

Regardless of etiology or ideology, I am inclined to agree with Kate Sheppard of the ***Wall Street Journal*** that the AARP policy switch is a "bombshell." America's entitlement safety net faces inevitable cuts in coming years, but that in itself is the tip of the iceberg. The AARP announcement is tacit recognition of a far deeper locus of financial issues facing the over 80 million boomers born between 1946 and 1964 as they contemplate retirement. Prior Social Security benefit cuts (extension of the full retirement age, increases in Medicare premiums, taxation of Social Security benefits) will reduce the median wage earner replacement ratio from 41% to 36% for those who retire at age 65 in 2030. The Employee Benefit Research Institute and others report that 401(k) holdings have made a comeback due to the stock market's rebound from its March 2009 low but average balances for householders 65 and older are estimated between $60,000 to $70,000. Less than 2% of the population holds a long-term care policy and many insurers report that their policyholders only gain awareness of the costs of aging when their parents experience retirement or serious illness. Most boomers have faced stagnating wages and steep increases in college costs, reduced personal savings, and home equity likely to be impaired for the foreseeable future. In short, it is likely that many boomers will be unable to replace 80% of their pre-retirement income that many planners use as a "bare bones" replacement benchmark.

There is no silver bullet policy change that solves this dilemma. What is clear is that Craig Karpel's central thesis of ***The Retirement Myth*** is truer now than at its publication in 1995: Most Americans will need to stay employed until well past 65 in order to "make it" financially. Be it full- or part-time, in a new field or with prior employer, increased longevity and reduced financial capacity make longer working lives a necessity.

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### *The Aging Population in the United States*

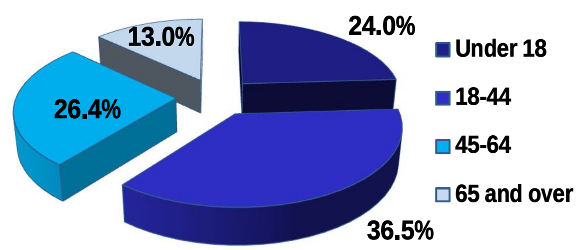
Population trends in the United States are creating an intense pressure on federal and local agencies alike to make changes to long-standing programs and services. From the Social Security Administration to local Agencies on Aging, it is becoming increasingly clear that decision-makers will have to come to grips with demographic and economic realities. One crucial step in that direction is to understand the characteristics of the new wave of aging Americans.

The first wave of aging Baby Boomers will turn 65 in 2011. Over the next 20 years, 81.5 million Americans will reach retirement age. This means that 11,000 new retirees will be added to the Social Security and Medicare rolls *each day*.

The latest 2010 Census data demonstrates the aging of the American population. In 2010, the median age increased to 37.2 from 35.3 in 2000. Between 2000 and 2010 the population older than 65 has increased by approximately 5.3 million, or 15.1 percent. Additionally, the 45 to 64 age group has increased by almost a third (31.5 percent). For the same time period, the younger age groups have grown at a much slower pace. Those under 18 increased only slightly by 2.6 percent while the 18-44 group only by 0.6 percent.

The slow population increase in the younger age groups will place a heavier burden on future generations to maintain the healthcare and retirement benefits their parents and grandparents had enjoyed. According to a U.S. Census report titled "*The Next Four Decades: The Older Population in the United States: 2010 to 2050,*" the dependency ratio, or the number of people 65 and older to every 100 people of traditional working ages, is projected to climb rapidly from 22 in 2010 to 35 in 2030.

**Age Distribution, 2010**




U.S. Census Bureau, 2010 Census Summary File 1;
Graphics from the FIU Metropolitan Center

Given the uncertain economy, retirement plan losses, housing market instability, healthcare costs, and rising energy and food costs, many elderly are not financially prepared to face retirement. According to the 2009 National Compensation Survey, only 51 percent of Americans working in private establishments had a defined benefit pension plan, defined contribution retirement plans or both. The high number of Americans without savings for retirement is also evident from the 2011 Annual Report of the Social Security Administration which shows 44 million people receiving retirement benefits. The report also emphasized that the number of beneficiaries is increasing faster than the labor force.

> The 2007-2009 recession will reduce average annual incomes at age 70 by 4.3 percent, or $2,300 per person.
> Center for Retirement Research, Boston College

The elderly's lack of financial security is to a large extent responsible for their continued employment after the age of 65. The increasing number of elderly deferring retirement is demonstrated by 2000 U.S. Census statistics showing that 13 percent of those over 65 were in the labor force. The 2009 figures show labor force participation of those aged 65 and older increased to 16 percent, or approximately 6.5 million people. Projections from the U.S. Bureau of Labor Statistics indicate that by 2018, the number will reach 11.1 million as a result of baby Boomers deferring retirement.

*Florida's Elderly*

Florida is one of the states that has traditionally been a desirable retirement destination. The median age of Florida's population in 2010 was 40.7 compared to the 37.2 nationwide figure. Only three other states have a higher median age – Maine, Vermont and New Hampshire. Florida's 17.3 percent of residents in the 65+ age group is larger than the national figure of 13.0 percent and highest among all states. The 2010 Census also shows that three Florida counties - Charlotte, Citrus and Sarasota - have the highest median age among counties with population over 100,000. These counties also had with the highest median ages in 2000.

Florida's elderly have a slightly lower participation in the labor force than nationwide but their numbers have been on the rise. In 2009 13.9 percent of Floridians over 65 were in the workforce, up from 12.0 in 2000. Elderly participation in the workforce is higher in South Florida. In 2009 16.2 percent of Miami-Dade County's 65+ population was in the labor force, in addition to 17.8 percent in Broward and 14.7 percent in Palm Beach.

While Palm Beach County has been known to attract somewhat more affluent elderly, as shown by their higher median income in comparison to Miami-Dade and Broward, labor force participation of those of ages 65+ has been growing for all three counties. According to the 2000 Census, 13.4 percent of elderly in Broward were in the workforce, in addition to 15.0 percent in Miami-Dade and 12.2 percent in Palm Beach. These figures have increased in all three counties as shown in the figure below.

For many elderly the decision to remain in the labor force or return to it after the age of 65 is linked to the need for additional income. The National Retirement Risk Index developed by the Center for Retirement Research at Boston College confirms that finding and shows that even if households work to age 65 and annuitize all their financial assets, including receipts from reverse mortgages on their homes, 44 percent will be 'at risk' of not being able to maintain their standard of living in retirement. In both Miami-Dade and Broward where the income of householders aged 65+ is lower, labor force participation is higher.

While delaying retirement may be the only strategy for some elderly to maintain a financially stable living, it does not guarantee a financially secure late retirement. In its June 2011 Issue Brief titled "The Impact of Deferring Retirement Age on Retirement Income Adequacy" the Employee Benefit Research Institute shows that for many Baby Boomers delaying retirement will still not ensure they have sufficient income for retirement and healthcare expenses. Many of America's elderly may have to delay retirement for as long as possible in order to be able to cover their expenses.

| | Broward | Miami-Dade | Palm Beach | Florida | United States |
|---|---|---|---|---|---|
| **Median Age** | **39.2** | **37.7** | **42.9** | **40.1** | **36.8** |
| **Old Age Dependency Ratio** | **26.5** | **27.8** | **43.8** | **28.4** | **20.5** |
| **Median Income, 65+** | **$29,778** | **$24,748** | **$38,399** | **$34,214** | **$33,712** |
| **Percentage of 65+** | **14.0%** | **14.4%** | **21.5%** | **17.3%** | **12.9%** |
| **Labor Force Participation of 65+** | **17.8%** | **16.2%** | **14.7%** | **13.9%** | **15.7%** |

Source: U.S. Census Bureau, 2009 American Community Survey.

***CENSUS NEWS***

**Census Research Notes: Subcounty Controls**

The American Community Survey (ACS) is a product of the Census Bureau that provides a wealth of information on diverse topics such as housing affordability, transportation and commuting patterns, employment and economic growth, and education attainment. The ACS was first field-tested in 2000 and has been published and improved annually. Though this survey is not required for reapportionment as is the widely known decennial census, it provides critical information for policymakers who need to understand changes in our society between decennial counts. Because of its large sample size, sampling procedure, and data collection methodologies, it is one of the most reliable surveys in the U.S.

In 2009, Census statisticians and other researchers made changes to the sampling methodology which are likely to narrow the gap between ACS estimates and decennial counts. However, these methodological improvements may limit if not preclude meaningful comparisons of data collected before and after 2009. No approach has been provided to bridge the qualitative differences between these datasets. As a result, the change in sampling methodologies causes anomalies that present short-term challenges to the utility of the ACS in policy planning and programming. These anomalies are demonstrated in the three examples that follow.

According to the ACS, the population of the City of Miami has fluctuated since 2005 at approximately 350,000, allowing for the margin of error. However, with the 2009 change in methodology Miami's population appeared to have grown by 90,000 (26 percent) from 2008 to 2009. Household size figures have also varied during this period but not in a corresponding manner. Average household size for the same period increased by 10 percent. The methodological changes also impact mobility counts which directly affect measurement of migration. The population surveyed for mobility is the population over the age of one. According to estimates, this population steadily declined from 2005 to 2008, but increased by 26 percent in 2009.

Other variables such as housing tenure, vacancy rates, income, and language use are also likely to be impacted by changes in the methodology. The impact of the changes on the 2009 sample will be reviewed after the full 2010 census data are released. Since there is no crosswalk with recommendations on how to best compare pre- and post-2009 ACS datasets, policymakers using the ACS are advised to begin trending key variables from 2009 on. Figures which show extreme variation will be closely scrutinized with each new release.

| City of Miami | 2005 | 2005 MOE | 2006 | 2006 MOE | 2007 | 2007 MOE +/- | 2008 | 2008 MOE +/- | 2009 | 2009 MOE +/- |
|---|---|---|---|---|---|---|---|---|---|---|
| **ACS Population** | 361,701 | 17,424 | 358,091 | 15,199 | 348,827 | 14,004 | 343,142 | 14,773 | 433,143 | 56 |
| **Households** | 144,706 | 5,507 | 135,153 | 4,645 | 136,274 | 4,617 | 138,786 | 5,179 | 159,609 | 5,562 |
| **Avg. Household Size** | 2.50 | | 2.65 | | 2.56 | | 2.47 | | 2.71 | |
| **Mobile Population** | 357,345 | 17,307 | 350,640 | 14,776 | 344,036 | 13,641 | 338,808 | 14,459 | 426,886 | 1,562 |

Sources: American Community Survey 2005, 2006, 2007, 2008, 2009. MOE = Margin of Error.

The Metropolitan Center has been designated a Census Information Center by the U.S. Census Bureau.
The designation allows for early access to data releases.