



## The Cost of Retiring Poor

### **Key Findings from *The Case for Reducing Poverty Among Seniors: Encouraging Savings for Retirement by People in Wisconsin, Projected Reductions in Wisconsin State Expenditures\****

Wisconsin's growing elderly population is ahead of the national trend. Between 2015 and 2030 there is a projected 60% increase in the number of people age 65+. Yet, many near-retirees in Wisconsin are unprepared to fund their retirement for an extended period of time. Social Security will not provide sufficient income in retirement; many people have little or no savings; and a large number of Wisconsin workers do not have any way to save for retirement at work.

Older adults who are at-risk of retiring poor may increasingly rely on government programs for support. However, new research shows that there could be a dramatic reduction in government outlays with a minimal increase in individual retirement savings:

Key findings of the reports include:

- If lower and moderate income households (up to \$40,000/year) were to save 3 percent of their income through 2030, ***state expenditures in 2030 may decrease by more than \$3.1 billion annually.***
- In 2015, State of Wisconsin spent \$1.2 billion on the four main programs assisting seniors – Medicaid, Homestead Tax Credit, Wisconsin Home Energy Assistance Program and Supplemental Security Income (SSI).
- In 2030, there will be 427,300 Wisconsin seniors are at risk of retiring in poverty.
- Projected state expenditures on senior programs in 2030 are estimated to be \$4.7 billion annually.
- Increased household savings delays eligibility for government assistance programs. Even a one-year delay saves the state of Wisconsin \$966 million in 2030.
- If those currently age 50 to 55 save 3 percent of their income until they retire, they will have between \$18,408 to \$39,676 more in savings.

## **POLICY IMPLICATIONS**

All of this points to a significant decrease in state expenditures on elderly assistance programs if people have adequate retirement resources. The solution is to help people save for their retirement, and all evidence points to the most effective way to do this,

which is via payroll deduction through a work-and-save plan. The State of Wisconsin can enact policies that would encourage people to create their own private retirement accounts at work. This will save taxpayer dollars in the not too distant future.

*\*The Case for Reducing Poverty Among Seniors: Encouraging Savings for Retirement by People in Wisconsin, Projected Reductions in Wisconsin State Expenditures* by Jordan Krieger, MPA\*, Genevieve Carter, MPA\*, Matthew Burr, MPA\*, J. Michael Collins, PhD, January 2017.