What Are the Retirement Prospects of Middle-Class Americans?
By Barbara A. Butrica, the Urban Institute, and Mikki D. Waid, AARP Public Policy Institute

Workers today are less likely than their parents or grandparents to enjoy the living standards of their working years when they retire. Much of the projected decline is expected because health care costs are rising faster than wages.

That is a central finding from this report from the Urban Institute and AARP’s Public Policy Institute, based on computer modeling of retirement prospects for middle-class workers under age 55 in 2012.

The report shows that average retiree income is projected to fall from 80 percent of average career earnings for current retirees to 73 percent for future retirees. Factoring in higher health care costs, the report shows retiree income falling to 55 percent of average career earnings. These estimates assume no changes to future scheduled Social Security benefits.

As it is today, Social Security will be the main source of retirement income for most future middle-class retirees. Average monthly Social Security payments in 2013 are $1,261.

Other key findings:

- Out-of-pocket medical expenses are high today, but they will more than double as a share of income for future retirees.

- Increasing health care costs are expected to wipe out projected declines in the poverty rate among retirees.

- College graduates 45 to 54 years old will struggle to regain losses from the recession, and are projected to have 19 percent less income at age 70 than current retirees with a college education.

- Continuing to work will be a key way to maintain retirement security.

- Social Security will account for 51 percent of per capita household income for future middle-income retirees—69 percent for low-income workers and 35 percent for high-income workers.