



Countdown: New York's Vanishing Middle Class

AARP New York Baby Boomer and Gen Xer Retirement Preparedness Survey: Long Island

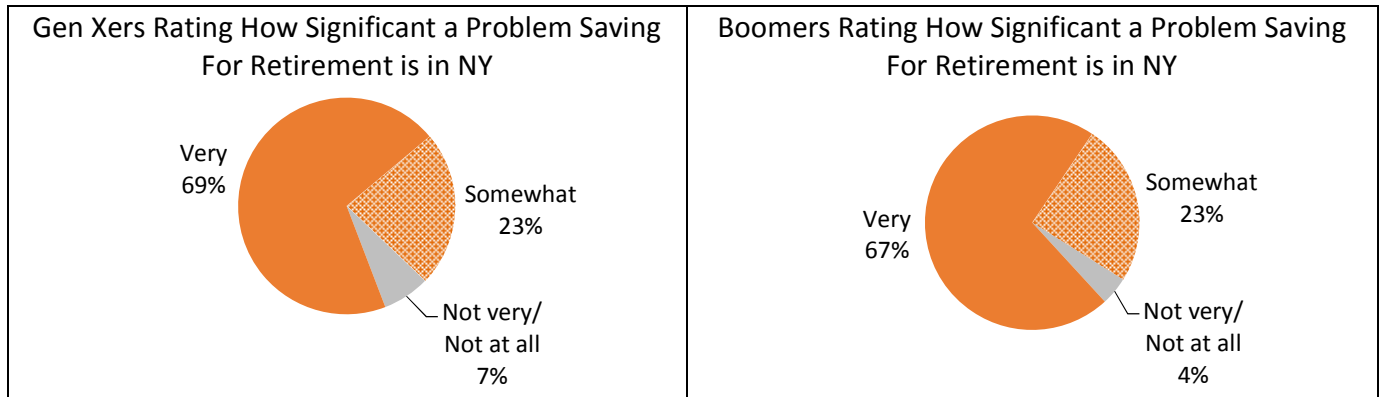
**Survey conducted by
Siena College Research Institute**

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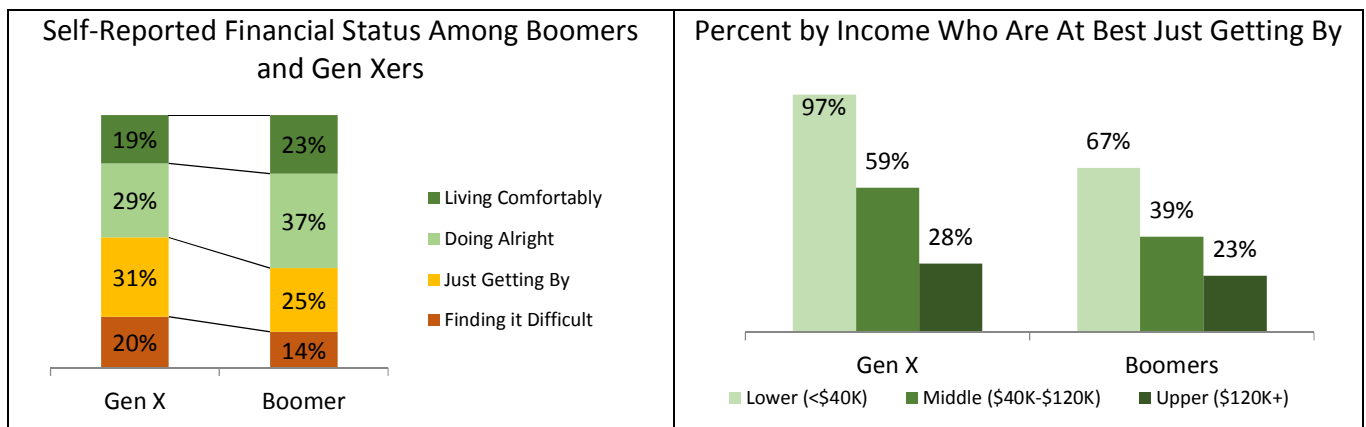
Saving for Retirement is a Significant Problem According to Boomers and Gen Xers

Nine out of ten Gen Xers and Boomers say it is a somewhat or very significant problem for New Yorkers to save enough for retirement. They should know: they are living it.



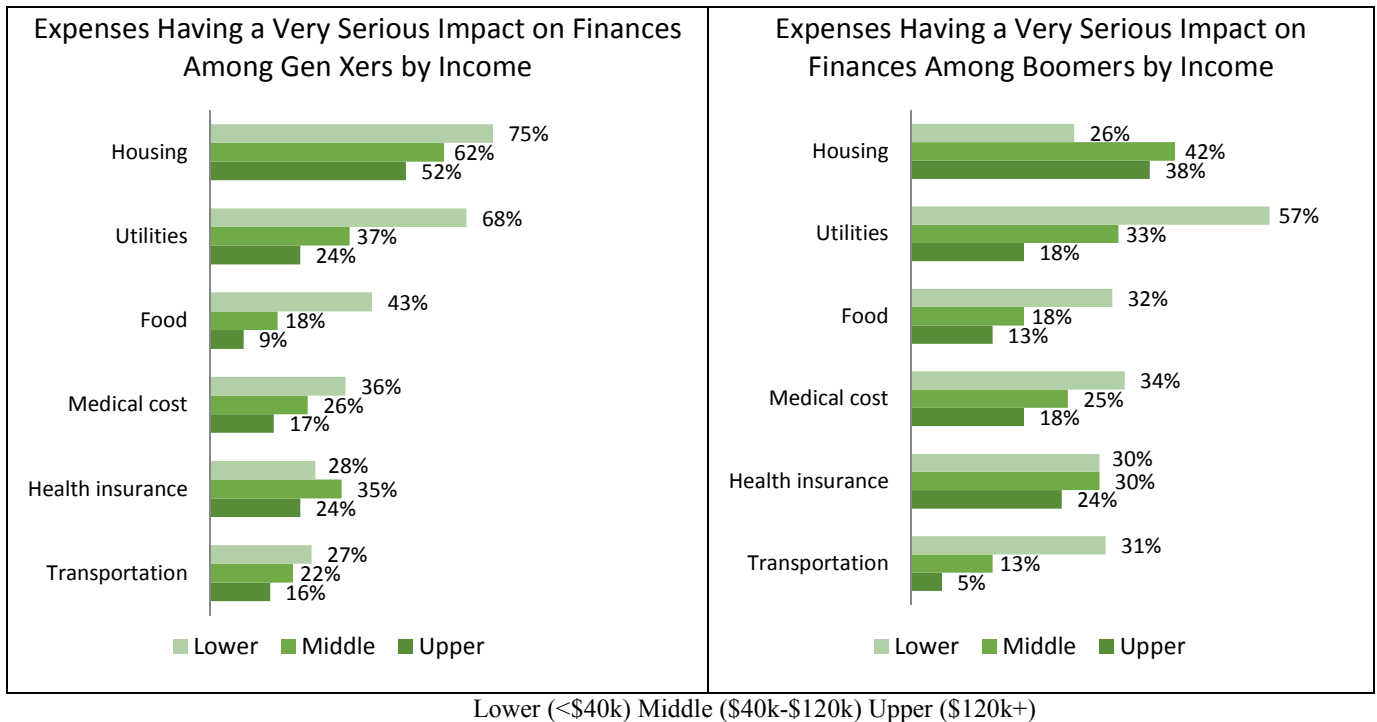
Across Long Island 51 percent of all Gen Xers and 39 percent of Boomers are either just getting by or finding it difficult to manage financially these days. Only one in five Xers and Boomers are living comfortably, while a third are ‘doing alright.’

Looking specifically at those who are struggling to manage financially, either just getting by or finding it difficult, we see there are marked differences by income, with more than half of the Gen X middle class and 39 percent of the Boomer middle class falling into this category. This is a sizeable population given two out of five (40%) of all Gen X and Boomer respondents report having middle class incomes (\$40k-\$120k).ⁱ



Both generations report housing and utility costs as being significant financial stressors, but each of six common household expenses included in the survey – housing, utilities, food, health insurance, transportation, and medical expenses – pose a somewhat serious to very serious impact on the financial condition of nearly or more than half of all Xers and Boomers.

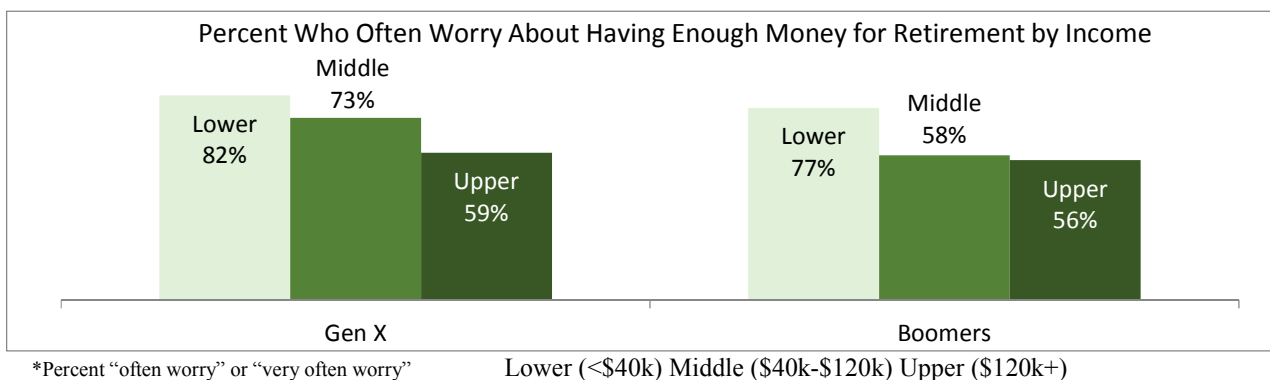
Among both Gen X and Boomers, these expenses are particularly burdensome to those with incomes below \$40,000 a year. Additionally, we see the financial hardship created by these expenses is significantly impacting the middle income of these generations too.



Lower (<\$40k) Middle (\$40k-\$120k) Upper (\$120k+)

With a high percentage of both Boomers and Xers just getting by and struggling to meet their common expenses, it is not surprising that three out of five often worry about having enough money to retire at the age they choose and the style they expect, or to have enough money to maintain their current lifestyle as a retired individual (Xers: 47% very often, 21% often; Boomers: 36% very often, 25% often).

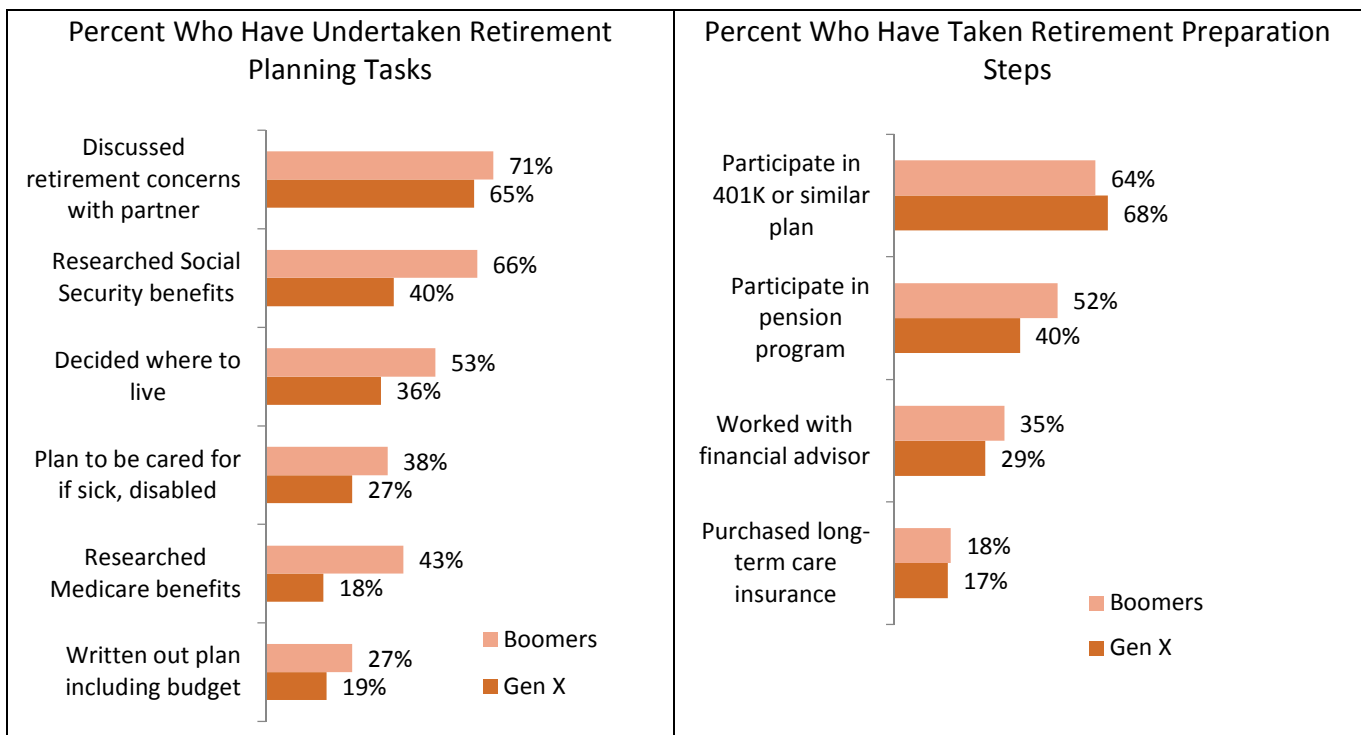
As expected, there is an inverse relationship between income and anxiety over having enough money for retirement, with those with the least amount of income being most likely to worry. But there are generational differences as well, with Gen Xers showing higher rates of concern than Boomers across all income levels.



Gen Xers and Boomers Are Not Prepared for Retirement

How prepared are Xers and Boomers for retirement? The short answer is, “Not very.”

Of six tasks asked about in our survey that could help a person plan for their retirement, none of which cost more than time, only 2 percent of Xers and 7 percent of Boomers have done them all; the majority have done no more than three of the six (79% of Xers and 59% of Boomers). Most Boomers and Xers have discussed their retirement concerns with family, but beyond that retirement planning wanes, especially among Gen Xers. Only about one in five Boomers or Xers have done the most basic planning of writing out a budget to determine what they will need for resources in retirement.



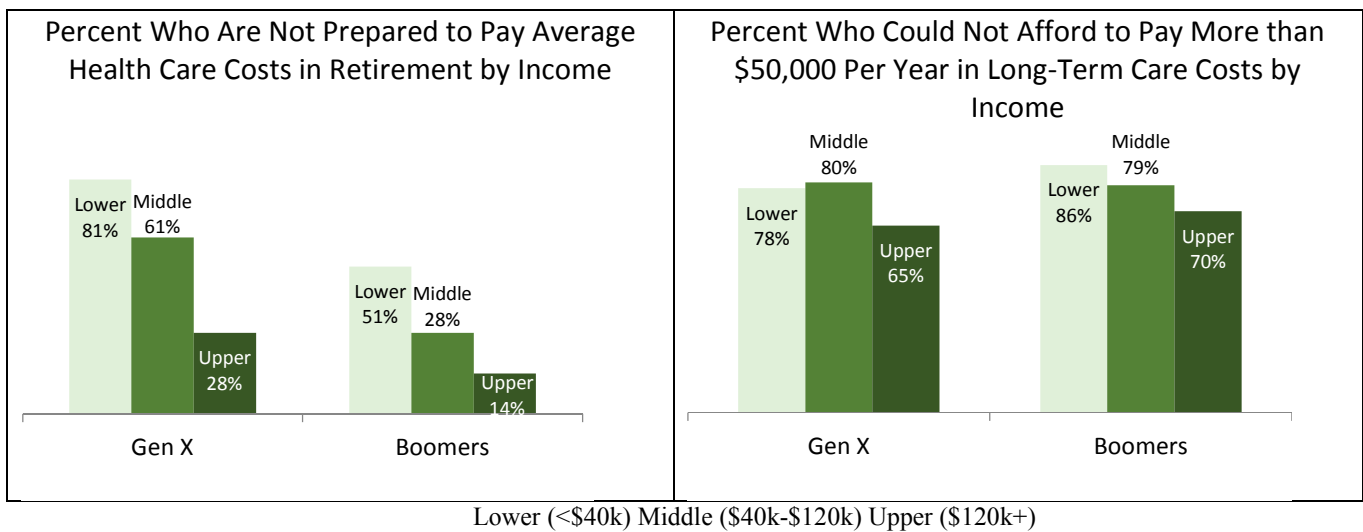
Workplace retirement savings opportunities provide the skeleton for retirement preparation for many Boomers and Gen Xers, with about three-quarters of Boomers and Gen Xers participating in either a pension program or defined contribution program, such as a 401k. However, this leaves about a quarter without workplace retirement savings (23% Gen X; 22% Boomers).ⁱ And independent research shows that when 18- to 34-year-olds are included, over half of New York’s private sector workforce lacks access to a workplace retirement plan – including over 60 percent of Millennials.ⁱⁱ

The lack of retirement planning is apparent when assessing the gap between how much respondents think they will need in retirement and what they expect to be able to pay for in retirement. Approximately ninety percent of Boomers and Xers anticipate needing at least \$2,000 a month. Roughly a quarter—29 percent of Xers and 25 percent of Boomers—expect to rely on Social Security to fund the majority of their retirement expenses, yet currently the average monthly Social Security payment in New York is about \$1,400 a month,ⁱⁱⁱ leaving at least a \$600 a month gap for those who do not have additional savings.

ⁱ Among private-sector workers, 19% of Xers and 16% of Boomers have neither a 401K nor a traditional pension

Adding to this potential income to expense shortfall is the cost of health care expenses. Only about one in five (15% Xers and 26% Boomers) say they are very prepared to afford the average \$476 per month out of pocket health care expenses older couples can expect to pay each month over the course of their retirement.^{iv} And the majority are not prepared to pay for long-term care costs, which average at least \$50,000 per year for care in the home and about \$150,000 per year for care in a nursing home on Long Island.^v In fact, seven in ten Boomers and Xers say they could pay not more than \$50,000 a year for long-term care, if it was needed.

Across both of these likely retirement expenses, large proportions of Boomers and Xers are showing great financial vulnerability in their futures, with lower income Boomers, in particular, showing how unprepared they are on the cusp of reality.



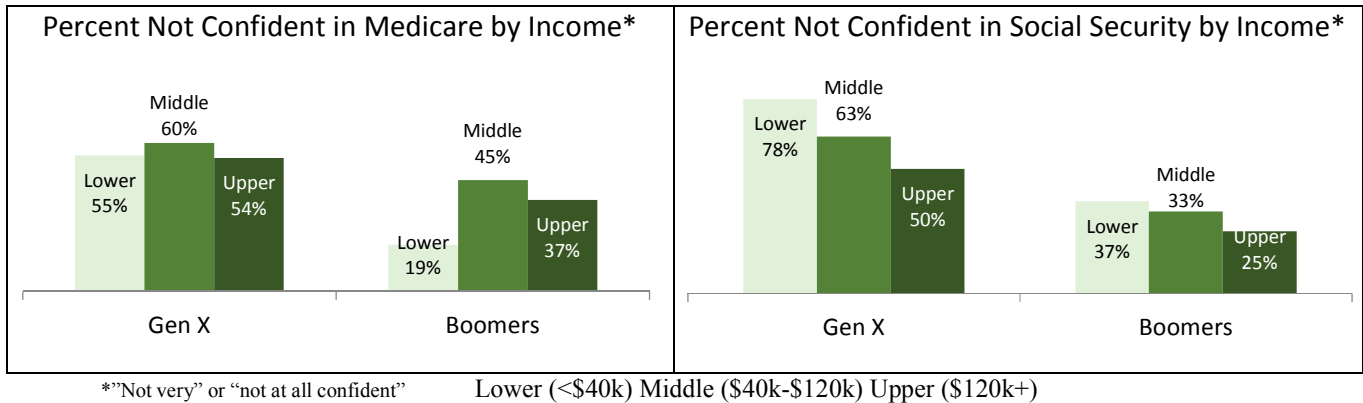
Government is Unreliable for Boomers and Xers Looking to the Future – Especially Social Security

Is government the answer to the shortfalls of retirement preparedness? Another short answer, most Xers and Boomers say, “Probably not.”

Just as Boomers and Xers are showing a lack of preparedness for their advancing years, respondents see government as unprepared for an aging population. Eight out of ten Xers and Boomers say that the likelihood that Social Security will remain available for future generations is a somewhat (26% Xers and 33% Boomers) or very significant problem (55% Xers and 49% Boomers). And more than half of Xers as well as 46 percent of Boomers say that the government is doing a poor job of making sure Social Security is available for future generations.

Among Xers, 60 percent are not very (30%) or not at all confident (30%) that they will receive the money from Social Security that as of today they have been promised by the United States Government, with those in the lower income bracket being more doubtful. Among Boomers, majorities are confident in receiving their benefits, but many still worry. Seven in ten are at least somewhat (38%) or very confident (30%) that they will receive the money from Social Security that they have been promised. A sizable minority (30%) have their doubts, especially among lower and middle income Boomers.

Further, a majority of both Xers (66%) and Boomers (64%) say the government is doing a poor job of controlling medical costs and they lack confidence in Medicare being able to provide for them. Fewer than half of Xers are either somewhat (32%) or very (9%) confident that Medicare will provide them with the quality of medical care that they will require while 58 percent are skeptical. Skepticism is even greater among middle income Xers. While a larger proportion of the middle income Boomers lack confidence in Medicare, Boomers are generally more confident that Medicare will provide them with the quality of medical care that they will require (59%) in comparison to Xers.



Long Island Gen Xers and Boomers undoubtedly know it is a significant problem that people aren't saving enough for retirement since they are feeling unprepared themselves. With diminishing confidence in government programs being a reliable source of retirement security, it appears that without personal and government policy changes, sustaining a middle class lifestyle into old age could become a thing of the past for many middle income earners.

Methodology

The Siena College Research Institute (SRI), on behalf of AARP, conducted a telephone survey of 608 Long Island New York residents from July 25 – September 8, 2016. Residents between the ages of 36 and 70 were interviewed in all regions in New York State to ensure a representative statewide sample. Respondents were interviewed via landline (n=378) or cell phone (n=230). The margin of error for the total sample of 608 is +/- 4.9%. The sample was divided into two quota groups by age to achieve a sample of 300 residents in the Generation X cohort (those between the ages of 36 and 51) and 308 residents in the Baby Boomer cohort (those between the age of 52 and 70). The margin of error for the "Gen X" sample of 300 is +/- 7.5% and the margin of error for the "Boomer" sample of 308 is +/- 6.8%. The samples were each weighted by age, gender, reported race/ethnicity, education and region to ensure statistical representativeness. A full methodology report is available at aarp.org/NYCountdown

ⁱ America's Shrinking Middle Class. Pew Research Center. <http://www.pewsocialtrends.org/2016/05/11/americas-shrinking-middle-class-a-close-look-at-changes-within-metropolitan-areas/>

ⁱⁱ <http://www.aarp.org/content/dam/aarp/ppi/2015-07/AARP-NewYork-state-fact-sheet.pdf>

ⁱⁱⁱ OASDI Beneficiaries by County and State, 2015. Social Security Administration. https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2015/index.html

^{iv} What Health Care Will Cost You, AARP. <http://www.aarp.org/health/medicare-insurance/info-12-2012/health-care-costs.html>

^v Compare Long-Term Care Costs Across the U.S., Genworth. <https://www.genworth.com/about-us/industry-expertise/cost-of-care.html>

AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million that helps people turn their goals and dreams into 'Real Possibilities' by changing the way America defines aging. With staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, AARP works to strengthen communities and promote the issues that matter most to families such as healthcare security, financial security and personal fulfillment. AARP also advocates for individuals in the marketplace by selecting products and services of high quality and value to carry the AARP name. As a trusted source for news and information, AARP produces the world's largest circulation magazine, AARP The Magazine and AARP Bulletin. AARP does not endorse candidates for public office or make contributions to political campaigns or candidates. To learn more, visit www.aarp.org or follow @aarp and our CEO @JoAnn_Jenkins on Twitter.

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