



Countdown: New York's Vanishing Middle Class

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

Survey conducted by
Siena College Research Institute

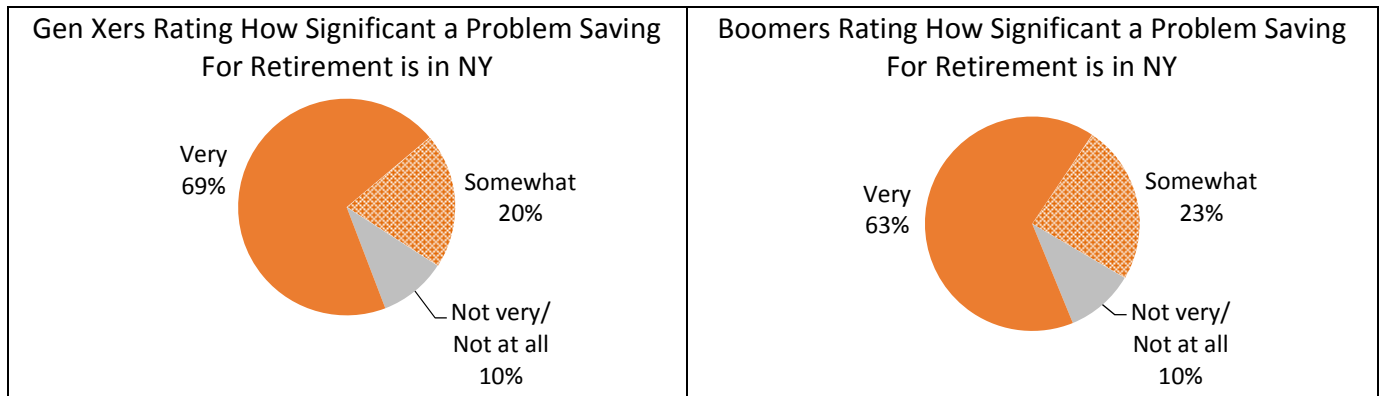
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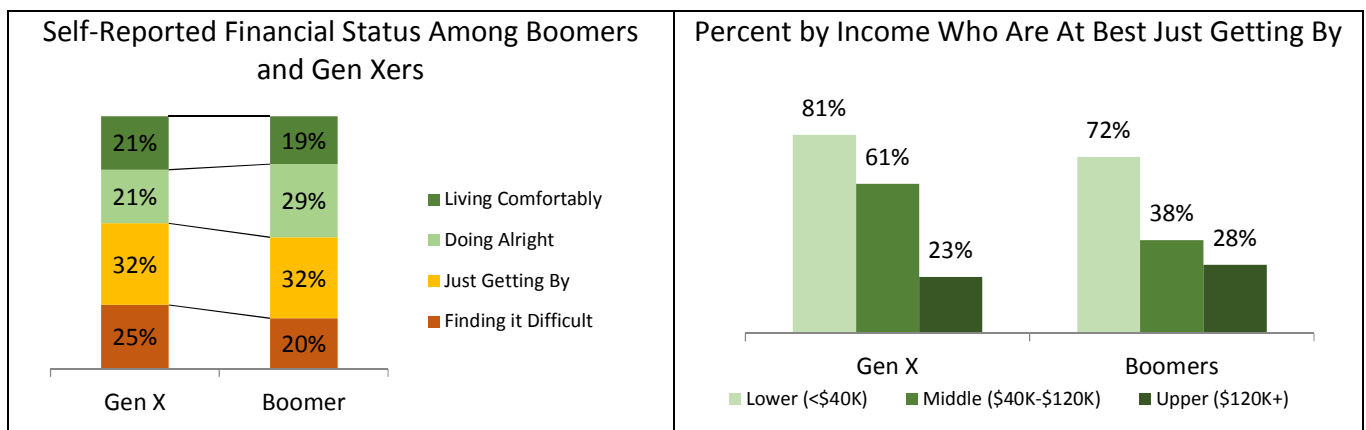
Saving for Retirement is a Significant Problem According to Boomers and Gen Xers

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.



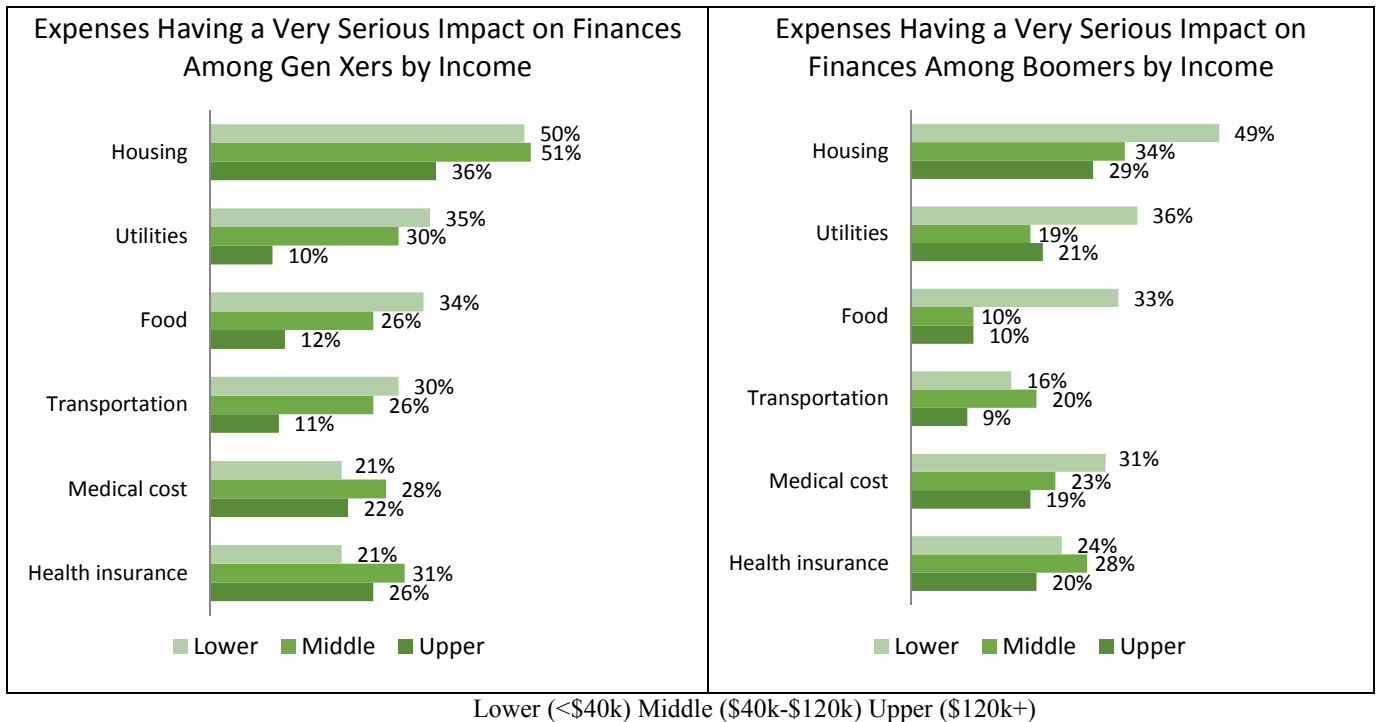
Across New York City 57 percent of all Gen Xers and 52 percent of Boomers are either just getting by or finding it difficult to manage financially these days. Only one in five Xers and Boomers are living comfortably, while about a quarter are ‘doing alright.’

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 nearly two thirds of the middle class in Gen X and more than one third of the middle class in the Boomer generation falling into this category.



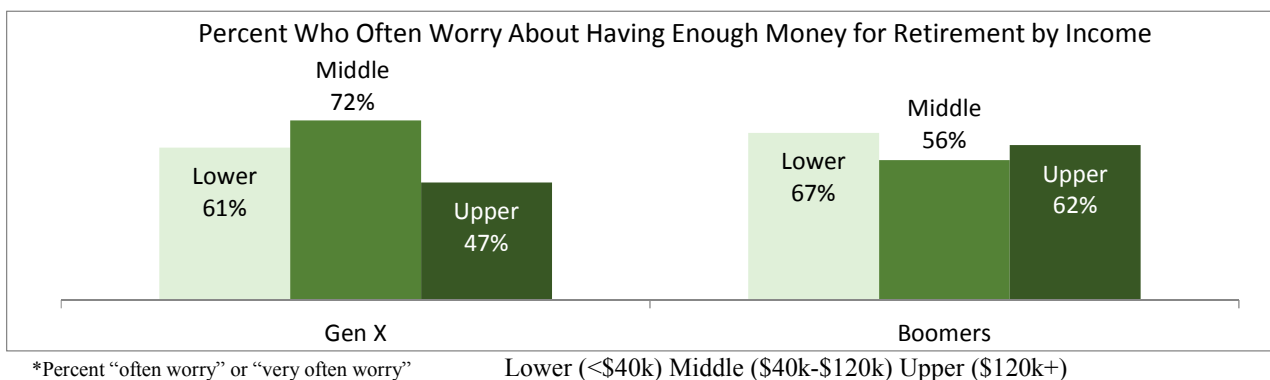
Both generations report housing costs as being a significant financial stressor, but each of six common household expenses included in the survey – housing, utilities, food, health insurance, transportation, and medical expenses – pose a somewhat serious to very serious impact on the financial condition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

Among Boomers, these expenses are particularly burdensome to those with incomes below \$40,000 a year. Looking at Gen X, however, we see the financial hardship created by these expenses is impacting the middle income of this generation just as much if not slightly more than those in the lower income bracket.



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: 35% very often, 24% often; Boomers: 37% very often, 24% often).

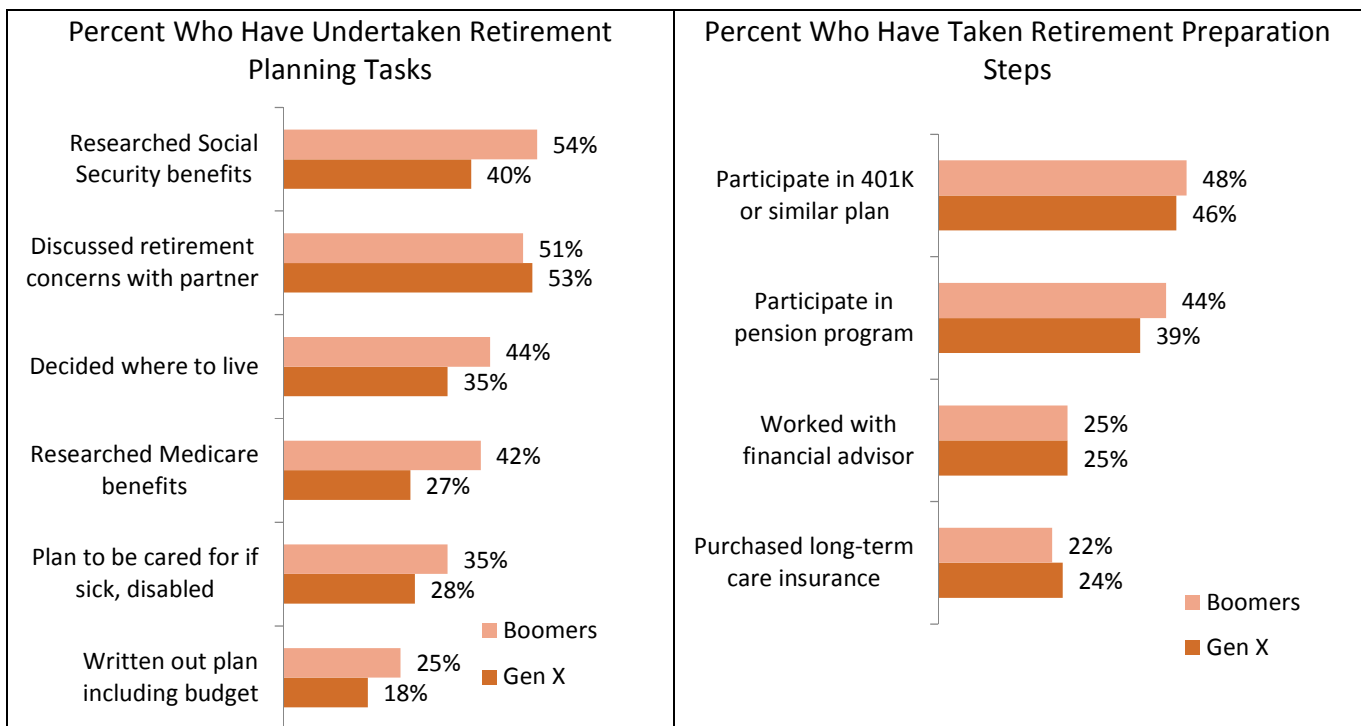
Among Gen Xers in the middle class, 72 percent worry often or very often about having enough money for retirement. Those in the lower income bracket in the Boomer generation are most likely to worry. But well over half of middle class Boomers regularly worry about being able to afford to retire.



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 3 percent of Xers and 7 percent of Boomers have done them all; the majority have done no more than three of the six (80% of Xers and 68% 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.



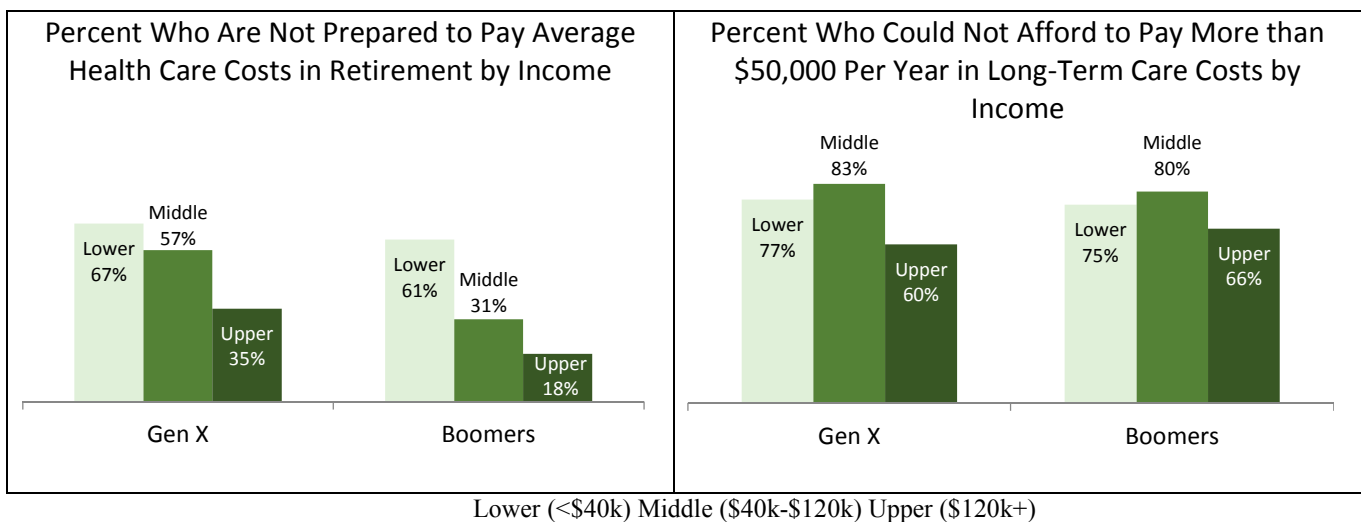
Workplace retirement savings opportunities provide the skeleton for retirement preparation for many Boomers and Gen Xers, with about 60 percent of Boomers and Gen Xers participating in either a pension program or defined contribution program, such as a 401k. However, this leaves about 40 percent without workplace retirement savings (41% Gen X; 39% Boomers).¹ 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.ⁱ

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. About two out of five—38 percent of Xers and 42 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,ⁱⁱ leaving at least a \$600 a month gap for those who do not have additional savings.

¹ Among private-sector workers, 33% of Xers and 33% 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. Less than one in five (13% Xers and 16% 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.ⁱⁱⁱ 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 more than \$140,000 per year for care in a nursing home in New York City.^{iv} 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 middle class Boomers, in particular, showing how unprepared they are on the cusp of reality.



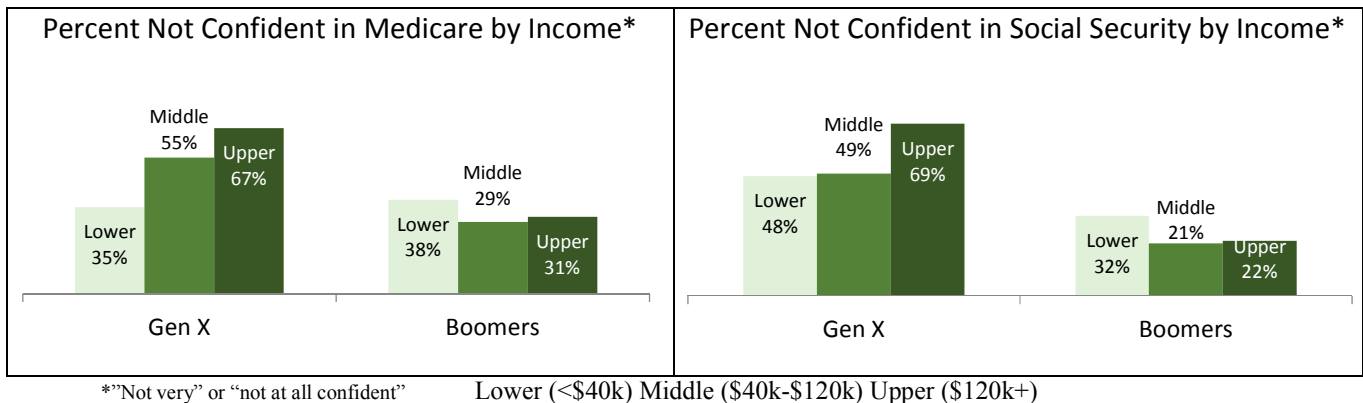
Government is Unreliable for Boomers and Xers Looking to the Future – Especially Social Security

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 (24% Xers and 27% Boomers) or a very significant problem (58% Xers and 51% Boomers). And a plurality of Xers as well as 33 percent of Boomers say that the government is doing a poor job of making sure Social Security is available for future generations.

Among Xers, 54 percent are not very (25%) or not at all confident (29%) 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 upper 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 (36%) or very confident (34%) that they will receive the money from Social Security that they have been promised. A sizable minority (27%) have their doubts, especially among lower income Boomers.

Further, nearly half of both Xers (49%) and Boomers (49%) 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 (38%) or very (11%) confident that Medicare will provide them with the quality of medical care that they will require while 49 percent are skeptical. Skepticism is even greater among middle and upper income Xers. While a larger proportion of the lower 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 (62%) in comparison to Xers.



New York City 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 868 New York City residents from July 25 – September 21, 2016. Residents between the ages of 36 and 70 were interviewed in all boroughs in New York City to ensure a representative city-wide sample. Respondents were interviewed via landline (n=610) or cell phone (n=258). The margin of error for the total sample of 868 is +/- 4.3%. The sample was divided into two quota groups by age to achieve a sample of 408 residents in the Generation X cohort (those between the ages of 36 and 51) and 460 residents in the Baby Boomer cohort (those between the age of 52 and 70). The margin of error for the "Gen X" sample of 408 is +/- 6.1% and the margin of error for the "Boomer" sample of 460 is +/- 6.1%. The samples were each weighted by age, gender, reported race/ethnicity, education and borough to ensure statistical representativeness. A full methodology report is available at aarp.org/NYCountdown

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

ⁱⁱ OASDI Beneficiaries by County and State, 2015. Social Security Administration.

https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2015/index.html

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

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

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Acknowledgements

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