

Northern Trust | The View From Here: Are U.S. Workers Prepared for Retirement?

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You've been thinking a lot about retirement lately. Tell us why.

I have been thinking a lot about retirement lately, but not at a personal level, because of any workplace frustration. But at a more general level, because we're on the crest of a very large retirement boom in our country, a boom that we're probably not very well prepared for.

Well, many people have retirement plans through their workplace. What's the role of those kinds of plans?

Many workers do have access to either pensions or 401k plans through their employers. Unfortunately, as you go down the income spectrum, fewer and fewer people take advantage of those benefits where they're present. And as you go down that spectrum, as well, people save less and less.

In other words, even if the benefits are there, many workers are not taking full advantage of them. And as a result, they're arriving near retirement without adequate preparation.

How about social security, what's the current state of that?

Because of the lack of preparedness, many American workers are going to be very reliant on Social Security benefits for their retirement income. But we only have about 18 years left of surplus in the Social Security Trust Fund, meaning that at that point, unless something changes, the level of benefits that everybody receives is going to have to get scaled back to be equal to what is going in from current workers. That could be a discount of about 20%. 20% that a lot of retired families are not going to be able to afford.

I would imagine you're thinking about the effect all of this has on the economy. Can you talk about that?

Well, it's already having an impact on the economy, in that many workers who are arriving at age 65 are continuing to work, in part because they have to. In addition, because workers are realizing that they need to save a little bit more in an economy like ours that's very dependent on spending, any shift to saving could affect the level of economic growth. And then, finally, again, the reliance on public benefits like social security will make it very, very difficult for legislators to try and put them on firm footing as the years go forward.

Well, Carl, thanks for joining us.

My pleasure.

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