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Report: Retirement Poverty Risk Rises

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Without changes in the U.S. retirement system, poverty among people 65 and over is likely to increase, according to a report released Tuesday by the Center for Retirement Research at Boston College.

The center measures households at risk of being unable to maintain their standard of living once they stop working. For the highest income households, being unable to maintain their standard of living may mean cutting back on extras. But for the lowest third of households, 45 percent of whom are at risk, being unable to maintain their standard of living may mean cutting back on essentials, the report said.

The bottom third of households are less likely to own their homes, have pensions and have meaningful 401(k) assets, making them more reliant on Social Security than their wealthier peers. As a result, the increased minimum age for Social Security benefits, from age 65 for those born in 1937 or earlier to age 67 for those born after 1960, will hurt them more, according to the report.

The delay in Social Security means that 60 percent of Generation Xers in the bottom third of income are at risk for being unable to maintain their standard of living in retirement.

The increased prevalence of two-income households could also hurt low-wage families in retirement. Social Security awards a non-working spouse a benefit equal to 50 percent of the worker's benefit. As women go to work, they increase the family's pre-retirement earnings but do not increase the couple's Social Security benefits unless they earn more than 50 percent of their husband's earnings, according to the report.

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