Thank you so much for inviting me to speak on the topic of retirement security and the wellbeing of older Americans. I consider this to be one of the most important issues in public policy—and one that deserves special consideration in the wake of the pandemic.

Even before Americans spent their first day in quarantine, seniors and retirees have faced substantial longstanding challenges. Access to workforce pensions has been on a decades-long decline, and the massive increases in wealth experienced in aggregate have been unevenly shared amongst retirees. Longer life spans and higher debt loads have led to more financial fragility in retirement. Family networks have weakened. As reported last month in the New York Times, an increasing number of seniors live alone.

Then the pandemic hit. As we all know too well, the death rates of seniors spiked much higher than for any other age group. Older Americans had a difficult time getting access to doctors and hospitals. Links between seniors and their families and communities were disrupted. Many retirees dealt with social isolation, particularly in the height of the pandemic.

But as the economy rapidly adapted to pandemic life, silver linings have emerged. There are new ways to work, to purchase goods, to receive healthcare, to have fun, and to communicate with friends and family. These innovations have the potential to radically change what it is like to be an older American today.

Policymakers have an obligation to meet the moment for seniors and retirees. There is a need to address longstanding problems and pandemic-induced challenges—particularly in healthcare and social isolation. And new investments must be made to take advantage of new opportunities.

The Biden-Harris Administration and Congress has met this moment. Perhaps because the legislation passed over the first two years of the Biden Administration has been so wide-ranging, the support that flowed to seniors and retirees has gained little notice. I’d like to correct that.
record in this speech and will draw attention to the historic actions that have been targeted to our nation's senior citizens and retirees. And, of course, there is more to do, and I will discuss the path forward.

1. LONG-STANDING TRENDS

I’ll start by setting the scene by laying out some of the long-standing, pre-pandemic trends relevant to retirement policy.

Perhaps the most important trends are related to demographics: an aging of the population and expansion of life expectancy. Seventeen percent of the US population was aged 65 or older in 2019; almost double the share 60 years ago.[1] Steadily increasing lifespans have meant a sharp increase in expected retirement: the average 65-year-old in 2019 expected to live an extra 20 years[2]—six more years than an average 65-year-old lived in 1960.[3]

As retirement funds have needed to be stretched for more years, financial fragility has increased for some retirees. Defined benefit pensions have become much less common,[4] and many working Americans do not have access to defined contribution plans like 401(k)s. This evolution in the nature of retirement plans has changed the types of risk borne by workers and retirees. In particular, retirees—rather than their employers—now bear the risk associated with uncertain lifespans.

This change in workforce retirement plans has also had serious implications for future retirees. According to a study by the Urban Institute, almost 40 percent of millennials born in the 1980s will not have sufficient income at age 70 to maintain their pre-retirement standard of living. The millennials' retirement readiness is lower than it was for the pre-boomer and late boomer generations born between 1937 and 1964. Debt is a part of the story—the average real debt held by a 40-year-old millennial today is about twice the amount held by a 40-year-old 30 years ago.[5] According to a recent Gallup survey, about half of current non-retirees do not expect to be able to live comfortably in retirement, and the expected retirement age has moved up from 60 in 1995 to 66 in 2022.

Healthcare spending looms large in the retirement story. Healthcare expenditures have risen for older Americans in the decades leading up to the pandemic. Seniors have faced increasingly high prescription drug bills, even for routine and common ailments.[6] On average, out-of-pocket health spending for Medicare recipients was $6,500 in 2019,[7] with some individuals paying much more.
Financial health is only one factor that feeds into overall wellbeing. Happiness and life satisfaction is also affected by family and social connections. And over the past few decades, the number of older Americans living alone has risen rapidly, as people are living longer, and are more likely to be divorced, separated, or never married than previous generations.

To be clear, not all pre-pandemic trends have been doom and gloom. Wealth has risen in aggregate, and many seniors have tapped into this wealth to finance travel and recreation in their retirement years. There appears to be more flexibility and agency for older workers to determine how and when they separate from their jobs. And there have been promising trends with improved ways of delivering healthcare, some of which were accelerated by the pandemic. As I will discuss later in the speech, these more positive trends link to promising opportunities.

2. PANDEMIC CHALLENGES

But first, I turn to the pandemic. Never has a generation felt such an acute change in mortality so suddenly. The death rates for Americans 65 and older in 2020 were more than 15 percentage points in excess of the rates seen in 2019[8]. And, even given the widespread vaccinations, mortality rates remained elevated in 2021. There is no doubt that the impact of the virus was devastating to this generation.

The delivery of healthcare for non-covid reasons stalled, with institution-based healthcare fairing particularly poorly during the pandemic. Nursing care was difficult to provide safely, and many seniors languished with subpar care. Excess deaths for reasons other than covid spiked. Even now, older Americans are still reluctant to go to doctor’s offices, where germs may spread. The number of patients in nursing homes is well below 2019 levels[9]. And home health care aides have been difficult to find in the tight labor market.

Mental health has suffered too. In the height of the pandemic, social isolation peaked. Seniors living alone were cut off from their family and friends. Grandparents could no longer visit their grandchildren. People that remained in nursing homes or had to go to hospitals were kept in isolation. A quarter of seniors reported experiencing anxiety or depression in the summer of 2020[10]. And there were even higher rates of anxiety or depression reported by low-income seniors and those who were in fair or poor health.

Finally, early retirements surged, which would likely strain the finances for seniors who were not yet retirement ready. Pandemic concerns and family needs led to this spike in early retirements, and many 55 and older workers haven’t come back to the workforce. Now that pandemic-era
stimulus has ended and the stock market has come down from its peak, those missed working years may be felt deeply by early retirees. But re-entering the workforce after retirement can be difficult, and those workers who are permanently retired may be looking towards a future with a reduced living standard compared to what they had planned for before the pandemic.

3. NEW OPPORTUNITIES

Thus far, I’ve focused on the challenges—both old and new—for current and future retirees. Now I am pleased to turn to the opportunities. As I’ll explain, there is much to feel optimistic about.

First, the changing nature of work has the potential to allow older Americans to extend their working years at the same time that they lean into the benefits of retirement. Employers seeking workers in a tight labor market have used flexibility as a means to compete for workers and even draw more into the labor market, allowing them to choose their hours and the intensity with which they work. Teleworking, which sharply expanded in the pandemic, may enable seniors with disabilities or health problems to participate in the workforce. While many flexible scheduling tools and most teleworking jobs require a level of computer comfort that seniors may not have had in previous generations, the timing is right to push on these possibilities now. With the explosion of smartphones and social media, familiarity with technology has grown sharply over the last decade. Smartphone ownership for people 65 and older grew from 13 percent in 2012 to 61 percent in 2021, and almost half of the older generation now own a tablet computer. And the smartphone and tablet ownership amongst 50- to 64-year-olds is much higher; so that those entering retirement in the next ten years will be even better poised to take advantage of these opportunities.

Matching would-be retirees with more flexible jobs could allow them to continue to build their savings while still tapping into the lifestyle they have worked their whole lives for: more time for travel and recreation, for their families, and for their health. Older Americans working for longer would be a bonus for the economy as a whole as well. Elevated inflation, in part due to mismatch between labor demand and supply, has led us to acutely feel the need for an expanded labor force.

The second opportunity for older Americans is new ways of delivering services and goods. Notably, the rise of telehealth services has allowed seniors to receive medical attention while limiting their exposure to Covid-19 and other communicable diseases—with additional convenience as well. In 2020, Medicare telehealth visits jumped to 53 million, up from less than 11 million in the previous year.
1 million in 2019. At the same time, private equity funding for telehealth startups sharply increased, hinting at a long-lasting structural change in healthcare delivery. Of course, goods delivery has also changed and e-commerce retail is up 60 percent from the levels seen in 2019. For seniors with health concerns, the delivery of groceries and basic needs is particularly valuable.

Finally, there are new ways to communicate, socialize, and to have fun. In 2020, the term “family zoom” spiked in google trends and has stayed elevated since. Many seniors learned to text with their grandchildren, and some grandparents became viral sensations overnight. Streaming platforms made it possible to watch movies and television from home. In the future, virtual reality could make it possible for homebound seniors to socialize more freely, and self-driving cars may increase mobility for seniors.

4. THE BIDEN-HARRIS ADMINISTRATION AND CONGRESS MEET THE MOMENT

While these economywide trends give rise to optimism about future retirement, it is critical to acknowledge the meaningful progress made over the first two years of the Biden Administration. The Biden Administration, along with Congress, has met the moment for seniors and retirees by passing a series of laws which collectively improve the livelihoods for older Americans across the country. Let me outline some of the more consequential developments:

First, the Federal government provided unprecedented economic support during the pandemic and recovery. With this support, policymakers successfully staved off what would have been a deep downturn. In fact, many households are now on a stronger economic footing than they were before the crisis. Even the average household in the bottom half of the income distribution holds more savings than they did before the pandemic. These savings, in turn, increase future retirement stability. In contrast, without the rapid recovery, extended unemployment and loss of income would have stunted the retirement savings of an entire generation.

Second, vaccines were distributed at historic rates, and researchers found that in 2021, vaccines prevented 2 million deaths in the United States and 20 million deaths worldwide. Given the virus’ disproportionate impact on the mortality of older individuals, it is safe to say that most of those saved were above the age of 65. I do not think it is hyperbolic to say that the vaccine distribution program of the past several years was the greatest lifesaving effort of my lifetime.
Third, in the American Rescue Plan, the Biden-Harris Administration and Congress shored up multiemployer pensions with the largest infusion of resources into retirement plans in years. Millions of pensions were protected through this measure, that includes provisions for restoring and repaying pension benefits for thousands of workers and retirees that were previously cut. The ARP has singlehandedly put these plans on solid financial footing through 2051, shoring up retirement security for these hardworking Americans who depend on their promised benefits to sustain a decent life in retirement.

Fourth, in the Bipartisan Infrastructure Law, a historic investment in universal broadband was put in place to expand internet access. This $65 billion “Internet for All” initiative is designed to ensure that every American has reliable access to high-speed internet, and will unleash new work and leisure opportunities for homebound seniors. Given the centrality of internet access to our post-pandemic lives, this policy is critical to ensuring a happy and healthy modern retirement for all.

Fifth, in the Inflation Reduction Act, the Administration and Congress acted to reduce prescription drug costs by capping out-of-pocket expenditures and allowing Medicare to negotiate the cost of drugs. This legislation will serve to save seniors thousands of dollars per year. Given the high burden of prescription drugs for many older Americans, this policy represents nothing short of a sea change for older Americans.

Finally, due to President Biden’s Executive Order on Promoting Competition in the American Economy, hearing aids are now thousands of dollars cheaper, as well as accessible over the counter - without a prescription required. The Food and Drug Administration estimates this will help nearly 30 million Americans by lowering the average cost of hearing aids by as much as $3,000 per pair.

5. WHAT REMAINS TO BE DONE

I’ll conclude by discussing areas of policymaking that are central to helping older Americans achieve a healthier and more secure retirement. To start, it’s important to acknowledge the critical role of Social Security and Medicare in preserving retirement as we know it. These programs are the cornerstone of the American retirement system, and it is difficult to imagine either program sustaining substantial cuts in resources without dramatically impacting millions of beneficiaries. There are a wide range of statistics that underscore this point, but I’ll offer a simple one: roughly half of retirement-age households depend on Social Security benefits for all or almost all of their income. Cuts to Social Security would decimate their standard of living.
Medicare carries equal weight in the retirement landscape, and any marked cuts to the program would undoubtedly mean undue suffering for the beneficiaries who depend on the program for critical health care. Both programs must be preserved and defended.

A second area that deserves attention is better provision of long-term care in home and community-based settings. The Build Back Better framework that passed the House in October 2021 included a reform that would have dramatically improved access to home-based care for millions of individuals with intellectual and physical disabilities and would also have improved access for a large swath of seniors relying on Medicaid for long-term care needs. As meaningful as this reform would be, it likely would not have been the last word on the topic. The pandemic exposed a deep-seated need to help provide safe, affordable long-term care to seniors in a range of settings, including institutional and community-based environments. For the sake of both older Americans and their caretakers, we need better options for home-based care.

A third area of attention is addressing the racial wealth gap. As we have noted in recent analysis at the Treasury Department, the United States continues to suffer from widespread and enduring inequities in wealth accumulation. In 2019, the median white family had almost 5 times the wealth of the median Hispanic family, and eight times the wealth of the median Black family.[20] Given the central role of accumulated wealth in retirement, more equality in wealth accumulation patterns across demographic dimensions is an important aspect of a healthy and adequate retirement system.

Lastly, it is imperative to continue to make progress on the older workforce. There is a persistent demand for labor in our economy, and there are social, intellectual, and financial benefits of working for some older individuals. Finding ways for more older workers to work would offer a win to employers, older households, and the macroeconomy. Addressing obstacles to work likely requires addressing legal barriers, financial disincentives, and practical hurdles—like reduced mobility at older ages.

I’ll end by noting that I have spent roughly twenty years studying retirement in one form or another. I never imagined that America’s seniors would endure such tragedy as they did since the onset of covid. The pandemic will have changed American retirement forever, but it’s up to us to ensure that it will ultimately change it for the better.

Thank you for having me here today. I look forward to the discussion.

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[1] World Bank, Population ages 65 and above for the United States (SPPOP65UPTOZSUSA) | FRED | St. Louis Fed (stlouisfed.org)