

America's Looming Retirement Crisis

According to the Employee Benefit Research Institute's 2017 Retirement Confidence Survey, 18% of U.S. workers currently feel very confident about having enough money to live comfortably during retirement. Twenty-four percent (24%) of workers have less than \$1,000 in savings. In 1991, 11% of workers expected to retire after age 65. While in 2017, 38% expected to retire at age 70 or beyond. The percent of workers who expect to retire between ages 60 to 65 was 17%. The study also suggests a gap between workers' expectations and actual retirement experience.

According to a recent U.S. Federal Reserve study, 31% of non-retirees have no retirement savings or pension. Twenty-seven percent (27%) of respondents reported going without some form of medical care in the past year because they could not afford it. In recent testimony before the Senate Special Committee on Aging, a Washington University, St. Louis, professor stated that nearly half (45%) of Americans have no retirement savings, while the median retirement account balance is only \$12,000 for households approaching retirement.

Compounding the looming retirement crisis, the nationwide *unfunded* liabilities of state and municipal pensions is now \$1 trillion. America's public pension funds, in aggregate, have gone from fully funded to 74% funded. With a federal deficit of over \$20 trillion (double the 2008 level), the probability of rising taxes and overall "life safety" and housing costs, the U.S. is rapidly moving to a retirement crisis. The impact on and implications for the real estate industry could be significant.

Key Retirement Statistics

- 54% of senior workers (age 60+) say that they will work after retiring, and 81% of this group say that they will most likely work part-time.
- The average age for retirement is 64 for men and 62 for women.
- Approximately 31% of all workers 50+ and 29% of retirees have less than \$25,000 in savings.
- Only 21% of workers think they have enough money to retire comfortably.
- 69% of employers plan to keep on "older workers."
- People over age 50 spend 40% - 45% of the household budget on housing and housing-related expenditures.
- People over age 50 spend 10% or more of their household budget on healthcare.

Source: Center On Aging & Work; *U.S. News & World Report*; and other sources.

The implications of this looming retirement crisis on the real estate industry will be significant. Young talent cannot rise because their next position is occupied by a still-working, over-60 employee. Retail sales will feel the impact of nearly 76 million Baby Boomers "scaling back" their lifestyle and expenditures. Apartments, particularly age-restricted and senior-housing, will see a dramatic jump. Healthcare facilities (urgent care) will grow, and there will be an increasing demand for self-storage facilities.

Key Questions To Discuss With Your Leadership Team

1. Are your employees aged 60+ preventing or inhibiting the growth and ability of younger workers to assume additional responsibilities?
2. What is your company's strategy and plan to capture the knowledge and experience of older workers before they retire?
3. Is it time for your firm to explore opportunities related to a rapidly growing senior population?
4. Do you have succession plans in place for all workers over age 60?
5. What can or should your company do to assist aging workers prepare for retirement?

Prediction

"By 2025, 75% of the workforce within the real estate industry will be Millennials. Watch for companies to create "generational transfer/sharing" work spaces for "legacy employees" to capture their knowledge, relationships and experience while enabling young workers to take leadership positions."

Closing Comments

We hope you enjoyed this article and will be able to utilize the "Key Questions" at a future leadership meeting within your firm.

We welcome your comments, feedback, insights and perspectives

Regards,



Christopher Lee

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