

Older Adults, Retirement Income, and Lifestyle

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Although the retirement period comes at the end of one's laborious working life, there is no certainty that one can live comfortably during these years. To support oneself during retirement, one must accrue enough income and benefits to last until death. Retirement can only be pursued with a sufficient amount of income. One must understand the fundamentals of retirement income to understand retirement as a whole. This literature review will explore how retirement income impacts an older adult's retirement lifestyle. Key topics of this question include the influence of individual characteristics, like gender, ethnicity, and immigrant status, on the type of retirement income received. Social forces, such as type of pension reform, geographic location, and economic events, will be investigated for their impact on an older adult's retirement income. The direct influence of retirement income on health will also be explored to fully understand the role retirement income plays in an older adult's life. Using online databases, these sources were analyzed and included based on their thorough discussion of retirement income and how detailed they are in their explanation of what happened to an older adult when types of retirement income were provided.

In the backdrop of the retirement income that older adults can utilize are the reforms that change it. Even the staple pension of Social Security has changed since its inception in 1935. For every country's pension system, reforms can shape how retirement income and well-being are determined – for better or worse. Morrisey (2019) discusses how the current dominance of 401(k) plans does not create enough retirement income for older adults to secure their finances. Any reforms that push towards these private plans would lead to a larger absence in retirement income that Social Security and other pension benefits would have previously provided. Morrisey's (2019) solutions to this issue are to reform Social Security and create Guaranteed Retirement Accounts. These reforms increase both public and private pensions. Morrisey's Social

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Security reform would recommend "a gradual increase in the payroll tax, easily accommodated by wage growth, combined with eliminating the cap on taxable earnings" (Morrisey, 2019, p. 101). By requiring more to be appropriated from payrolls and earnings, Social Security would provide a sufficient retirement income for older adults to have a good lifestyle. Morrisey's Guaranteed Retirement Accounts reform "would fill the gap by ensuring that all workers and employers contribute to a plan" (Morrisey, 2019, p. 101). No longer would there be a gray area where only a portion of employers administers pension plans. These pension reforms would immensely increase the retirement income available to workers at every income level and every employment sector, meaning high-income retirees are not the only ones with good lifestyles. Grech (2015) takes a different approach in his analysis of pension reform, opting instead to view how pension reforms across Europe specifically impact retirement income. Grech has noticed a bleak trend of pension reforms that have "significantly reduced generosity" (Grech, 2015, p. 73). Throughout the several pension systems utilized in these European countries, each reform will have a detrimental change on specific groups. For countries like Slovakia and Poland, reducing the "progressiveness and the tightening of the link between contributions and eventual benefits" (Grech, 2015, p. 81) would spell disaster for lower-income individuals. For France, focus on reforms for persons with full careers would fail to recognize those with sporadic working careers, which usually pertain to women. Using the statistical simulation model APEX, Grech (2015) finds that if current reform trends continue, pensions will not be able to alleviate poverty. Grech's study is important as it indicates how Europe's reforms can worsen vulnerable older adults' economic situation. Pension reforms must consider all sectors of the population before they are enacted nationally, as workers' lifestyles can change significantly if income is increased or decreased.

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Similar to Grech (2015), Brimblecombe and McClanahan (2019) also look at pension reform globally, specifically in the case of women. They focus on how women's particular social role as caretakers is cause for concern when trying to accrue enough retirement income. Specifically, in France, Spain, and Chile, women are less likely to meet eligibility requirements (Brimblecombe & McClanahan, 2019). Defined contribution systems also lead to less income as their reduced years of working mean fewer years in which benefits can be accrued (Brimblecombe & McClanahan, 2019). Another trend is that "overall in the EU28, 16 countries either froze or reduced indexation between 2009 and 2015" (Brimblecombe & McClanahan, 2019, p. 332). With women's longer lifespans, having reduced pensions will mean living a poorer lifestyle for longer. These characteristics of a pension system can exacerbate older women's retirement income situation. To counter the gendered problems created by current pension systems, Brimblecombe and McClanahan (2019) recommend solutions that recognize these working situations particular to women, such as providing caregiver credits and noncontributory pensions. These allow for women with sporadic working careers to have enough sources of income to have the capacity to create a good lifestyle. In countries like Argentina and Chile, these reforms increased the pension coverage of women (Brimblecombe & McClanahan, 2019). An institutional acknowledgment of the difference in women's retirement income compared to men allows for an equal outcome in lifestyles. Brimblecombe and McClanahan's (2019) work is vital in its revelation of methods where undervalued older adults can obtain more retirement income and have better lifestyles.

Amarante and Tenenbaum (2018) expand on the specific reform of the caregiver pension credit system recommended by Brimblecombe and McClanahan (2019), investigating how Uruguayan women fare in retirement. With government data from the Uruguayan social security

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state agency, Amarante and Tenenbaum found that “among women with lower pensions, childcare credits are used both to reach the required years for retirement and to improve the amount of pensions” (Amarante & Tenenbaum, 2018, p. 1259). At least for Uruguay, these credits produced a significant increase in retirement income for women unable to qualify in years prior and for those who qualified. More older adults were able to accrue more retirement income, which can lift many out of poverty when the alternative could be no income at all. For those with higher incomes, “childcare credits mainly impact on the amount of pensions” (Amarante & Tenenbaum, 2018, p. 1259). For women across the income spectrum, caregiver credits supplement wages from years lost to their societal roles as caregivers to children. Using the same data given by the government, scenarios were created that depicted a situation where “11% of workers would have not retired had childcare credits not existed” (Amarante & Tanenbaum, 2018, p. 1263). Older retired women can earn a substantial amount of income with these credits. The impact of their family roles on their working roles would diminish, lessening the income gap between men and women and creating the opportunity for more equitable retirement lifestyles. Blackburn, Jarman, and Racko (2016) provide context to why reforms recommended by Amarante and Tenenbaum (2018) and Brimblecombe and McClanahan (2019) must specifically be implemented to help older women. Blackburn et al. (2016) observe a current trend of older women with insufficient pensions who are more likely to live in poverty. For current older women, the labor market of their adult lives advanced inequality through the jobs provided to them. Past and current occupations have been shown to include high levels of gender segregation between jobs and the pay these jobs give workers (Blackburn et al., 2016). The difference in occupations can form into different pension incomes during later life. This income difference is worsened by the extended life expectancy women face worldwide, having to live with fewer

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benefits for a longer period of time. However, Blackburn et al. (2016) found in their measurements that increased segregation has slightly benefited women's retirement outcomes. These several factors must be considered when trying to assess the situation of women with retirement income or good lifestyles that may become out of reach. Without the Blackburn et al. (2016) study, there is less reason to accept the income situation of retired women, which would continue the income inequality between genders.

Like women, the economic opportunities available to immigrants can be few. By being new to the culture and, more importantly, the institutions, an immigrant's retirement income can become extremely unequal compared to native-born citizens based on this status alone. Nakhaie, Halliday, and Roberts (2020) examine the multiple sources of government pensions in Canada to see gaps that are created between dominant societal groups and several minority immigrant groups. By measuring the amount given from Canada's Old Age Security, Canada Pension Plan, and Registered Retirement Plans amongst different groups from Canada's census, Nakhaie et al. (2020) could see how different these retirement incomes are between immigrants and native Canadians. With OAS, residency is a major requirement for how much retirement income one receives (Nakhaie et al, 2020). They also found that "every five years fewer of residency decreases immigrants' income by \$2,686" (Nakhaie et al., 2020, p. 32). For recent older immigrants, their income would be extremely low compared to those who have lived in Canada for decades and solidified themselves into these institutions. The Canada Pension Plan is based on contributions made, which is heavily based on previous earnings (Nakhaie, 2020). For older immigrants, especially ethnic minorities not entrenched in the dominant British culture, their jobs did not provide enough money to make significant contributions over the years, and their lack of residency did not give them enough time to mature. This difference is only intensified with the

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RRP's contributions from employees and employers, which means low-status jobs will pay less overtime than jobs in the "public sector or large organizations and industries with high wages" (Nakhaie et al., 2020, p. 25). Therefore, the residency and cultural characteristics of being an immigrant impact the amount of retirement income an older adult can receive from Canadian institutions, which can create different lifestyles dependent on how dominant one's status is. Curtis and Lightman (2017) have similar findings, where newer immigrants fare far worse in building up retirement incomes. Their analysis of longitudinal census data provided the means to measure any difference between immigrant groups. Their data concluded how the residency requirement of the OAS forces immigrants to rely on private pension sources for retirement income (Curtis & Lightman, 2017). Since immigrants "disproportionately face barriers in accessing 'good' jobs with strong employer pensions" (Curtis & Lightman, 2017, p. 179), they face an immense disadvantage in creating a comfortable lifestyle with their retirement income. For one to have a good retirement, it is necessary to have all types of retirement pensions (Nakhaie et al., 2020; Curtis & Lightman, 2017). The absence of one pension type, which primarily happens to immigrants and even more so to immigrant ethnic minorities who are less attached to the dominant culture, inhibits the growth of income and the types of lifestyles one can lead.

Although the old adage states that money cannot buy happiness, income in retirement can provide other positive life outcomes. Park and Park (2016) used data from the Korean Retirement and Income Panel study to measure the effects of economic preparation on retirees. Using surveys and a fixed effects model, they found that life satisfaction was significantly higher amongst retirees who had economic security during their retirement years (Park & Park, 2016). There is a positive relationship between retirement income and a positive lifestyle. For those

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without substantial income, their lifestyle may not be as satisfying. A key distinction made by this study is the use of opinions on the relationship between income and lifestyle. While it could have been possible that older adults near a level of poverty could have been satisfied in life, it is found that retirement income is a strong factor in having life satisfaction. However, Park and Park (2016) also noted social activities as a factor in increasing satisfaction. The importance of social activities may diminish the importance of income. However, a weakness in this study is the lack of elaboration on the connection between the two. Further, studies should be made that link how retirement income limits or expands lifestyles that include social activities. Esser and Palme (2010) expand in a different direction with the income and life satisfaction relationship by specifically measuring it across multiple European countries with several pension systems. Three models are found in Europe, ranging from a basic security “that provides for basic but not income security” (Esser & Palme, 2010, p. S105), a state corporatist model that “apply earnings-related benefits aiming at income security” (Esser & Palme, 2010, p. S105), and an encompassing model that utilizes both in their pension system. Using qualitative interviews and a total pension index to measure the utility of these models, Esser and Palme (2010) found that subjective well-being is higher among countries that use the encompassing model. The combination of multiple pension plans indicates how a large retirement income can produce a significantly positive effect during retirement. Only providing a minimum or a plan through employers may not sustain positive lifestyles. Esser and Palme’s (2010) exploration of these multiple plans expands on Park and Park’s (2016) work by exploring specific types of retirement income instead of only interpreting it broadly. Knowing which plans create lifestyles with greater well-being could be utilized in crafting better types of pension reform. Implementing empirically superior reform would save time and money.

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It is common knowledge that certain parts of the United States have higher costs of living than others. Most Americans know that New York and California require higher salaries than South Dakota or New Mexico. However, many do not make such connections regarding older adults during retirement. While Social Security is adjusted for cost-of-living changes, these changes are not adjusted equitably across the whole country. Mutchler, Li, and Xu (2019) describe how this problem is exacerbated by economic security indicators like the federal poverty level that fail to fully consider other necessary living costs, such as medical care and housing. Thus, this combination creates a skewed statistic of the adequacy of retirement income. Mutchler, Shih, Lyu, Bruce, and Gottlieb (2015) highlight the need to have a measurement of security, not one that barely places someone above poverty. The federal poverty level measures at the lowest possible level, where people who may have the same Social Security income are incorrectly seen as living adequately, when in reality, one may be in poverty based on the high expenses their state has. The Elder Index is a tool to ameliorate the inadequacies of previous measurements (Mutchler et al., 2019; Mutchler et al., 2015). It attempts to calculate how much an older adult needs to live independently, with a higher standard than the federal poverty level. Compared to other measures, it uses "geographically specific costs routinely encountered by older adults and establishes the income required for older individuals or couples to cover their necessary expenses and stay in their homes" (Mutchler et al., 2019, p. 124). The Elder Index expands upon this previously stated common knowledge and allows an interpretation of how certain expensive areas of the country are compared to others. The Elder Index estimates housing, food, transportation, healthcare, and miscellaneous costs for single individuals and couples in various housing settings, where costs range based on location (Mutchler et al., 2019). This list allows for a holistic and complete assessment of how expensive it would be for an older

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adult to live a comfortable lifestyle. A ratio for Social Security benefits is then used to see if they can support individuals and couples. For many parts of the country, Social Security benefits "alone are not sufficient to allow older adults to achieve economic security, to cover necessary expenses and stay in their homes" (Mutchler et al., 2019, p. 132). This stagnation of benefits has harsh implications for low-income older adults whose sole retirement income consists of Social Security. Good lifestyles for this group can seldom be achieved in most states with the information the Elder Index provides, where certain expenses like healthcare may have to be skipped in lieu of all expenses not being fully covered. Mutchler et al. (2015) illustrate this discrepancy in well-being across counties. Older adults need to have twice as much retirement income above the poverty threshold in certain counties to have an independent lifestyle. Unless older adults in expensive counties move away, they will need to have several sources of income or work during their retirement years to have any chance of living independently. However, if older adults want to move because of the expense, it is unlikely they have the retirement income to complete any move. Both Mutchler et al. (2019) and Mutchler et al. (2015) indicate the usefulness of the Elder Index in showing how retirement income becomes a complicated matter when location is involved, which could revolutionize how society interprets retirement income and well-being. However, the Elder Index limits its conclusion of the efficacy of Social Security to older adults who are single and a couple. If the Elder Index wanted to assess all older adults, like those living with family, more complicated calculations would have to be devised.

Social forces have shaped the conditions in which humans have lived for millennia. For modern-day society, these forces can be overt, like those seen during the Great Depression or the World Wars that happened in between. One event like this that remarkably impacted older adults' retirement income was the 2008 Recession (Butrica, Smith, & Toder, 2010). The people most

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affected by the stock market crash would "be higher-income families and people nearing retirement age" (Butrica et al, 2010, p. 341). Anyone with retirement plans, like 401(k)s that accrue income through stocks would have a severe drop in the solvency of their income. The stock market crashing would specifically harm the ability of older adults who have income in stocks to create a good lifestyle in retirement. Butrica et al. (2010) use DYNASIM3 to simulate different recovery scenarios after this economic downfall. The timing of recovery has immense implications for adults who have income in stocks and are about to retire. A quick recovery may only slightly impact their income and lifestyle, while an absence of recovery could spell disaster, forcing older adults to rely on other sources of income. However, those under the full-recovery scenario could capitalize on this situation if they purchase these lower-priced stocks (Butrica et al., 2010). Higher-income older adults could buffer their retirement income through these cheap investments, providing substantially more income in the future with which a positive lifestyle could be achieved. A weakness in Butrica, Smith, and Toder's study is that they "assume that housing wealth, Social Security benefits, DB pension benefits, earnings, and SSI are unaffected by the stock market collapse" (Butrica et al., 2010, p. 347). Most economic recessions would only partially impact one portion of the market, given the interconnectedness of modern society's economic institutions. While the initial downturn would negatively impact those just about to retire, certain conditions afterward present several longer-term risks for those with income affected by this event if they do not act correctly. Not all events can be as extensive as a stock market crash. Certain events with less national impact, like those at the state or local level, can impact a select number of older adults. Angel and Angel (2018) recognize the detrimental situation unfolding for older adults in states like Texas and California. These states are facing a unique situation where their older adult populations are increasing at an extremely higher rate

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than the rest of the United States. With more older adults, these states will have more people requesting Medicaid services, perhaps several services dependent on their health condition (Angel & Angel, 2018). This will cause states to adjust budgets even more than in previous years, which could strain certain programs. Angel and Angel (2018) note that African American and Hispanic older adults rely more on Medicaid than other racial groups. Any decrease in allocation towards Medicaid would force economic hardship on these groups. They would have to use more of their retirement income towards services that used to be provided at no additional cost, meaning less income can be utilized for other lifestyle choices. Like Mutchler et al. (2019) and Mutchler et al. (2015), older adults have to consider the prevalence of their living location's economic parity and decide whether their retirement income would be sufficient enough to support better lifestyles. However, this decision to move may be limited to those among higher social classes who have enough retirement income to move to different states whose resources for programs aren't as thinly stretched. If a large portion of older adults cannot move to cheaper areas, this raises the importance of considering reform that helps increase retirement income. While less under their control, the economic situations of society at large, whether global or not, will impact how suitable an older adult's retirement income is to help them maintain a lifestyle of their choosing.

This review of the literature has highlighted the importance of understanding the multitude of factors that influence retirement income and how this impacts potential lifestyle

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