



Aging and America: Demographic Change and Its Consequences for Work and Retirement

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About the research

In 2012, the National Academy of Sciences (NAS) issued a report on the aging U.S. population and its potential economic impact over the next 40 years. To explore the policy dimensions of the NAS's conclusions, the TIAA-CREF Institute and the Alfred P. Sloan Foundation co-sponsored a colloquium of researchers, policy analysts and government staffers.

The report summarized here, *Aging and America: Demographic Change and Its Consequences for Work and Retirement* by Pamela Perun and Paul Yakoboski of the TIAA-CREF Institute, reviews the ideas and solutions presented at the colloquium.

To download the full report, click [here](http://www.tiaa-crefinstitute.org/public/pdf/ti_aging_andamerica0514c.pdf) or go to www.tiaa-crefinstitute.org/public/pdf/ti_aging_andamerica0514c.pdf

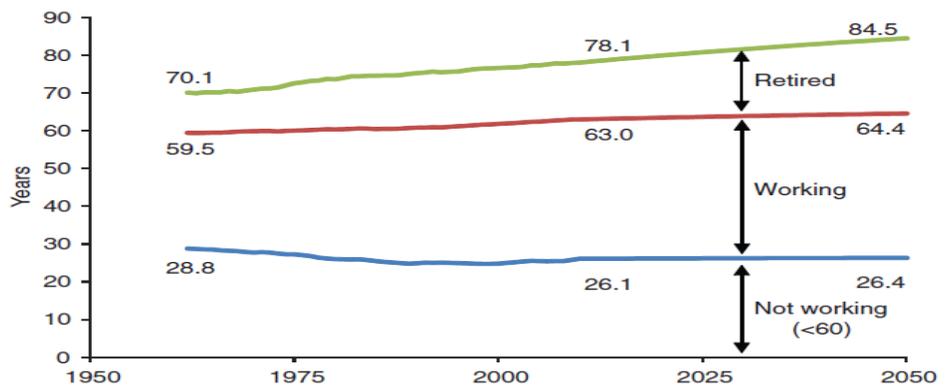
Policymakers look for ways to support an aging population

In the coming decades, people aged 65 and over will make up an increasingly large share of the U.S. population. According to Ronald Lee, professor of demography and economics at the University of California at Berkeley, this shift is happening for two reasons:

- Fertility rates are falling. In 1957, the U.S. fertility rate was 3.7 births per woman. In 2010, the rate was slightly less than 2.1 children per woman.
- People are living longer. Life expectancy in the U.S. has risen from 47 years in 1900 to 78 in 2014. By 2050, it's expected to reach 85 years.

With the rise in longevity, people are spending more time in retirement. Between 1962 and 2010 the length of the average retirement grew by five years (from 10 years to 15). Accordingly, workers today must prepare for retirements potentially lasting much longer than those experienced by past retirees.

Average Number of Years Lived Retired, Working and Not Working, 1962-2050



Source: Figure 3-2 from National Academy of Sciences report, 2012, page 37.

In its report *Aging and the Macroeconomy: Long-Term Implications of an Older Population*, the National Academy of Sciences recommended two policy strategies for mitigating the economic consequences of population aging: 1) encouraging people to increase their savings for retirement; and 2) encouraging people to postpone retirement by working longer. Helping people achieve these goals was the focus of a TIAA-CREF Institute and Alfred P. Sloan Foundation colloquium featuring researchers, policy analysts and a keynote address by Sen. Tom Harkin, chair of the Senate Committee on Health, Education, Labor & Pensions. A summary of the colloquium's key findings appears on the next page.



Saving more

1. Creating a more holistic and better integrated retirement system requires defining the relative responsibilities of individuals, employers and government.
2. The objective of saving for retirement should be to provide an adequate and secure income throughout retirement.
3. Most private sector 401(k) plans do not offer an annuity payout option, due largely to fiduciary concerns of plan sponsors.
4. Low levels of financial literacy and poor personal financial management pose substantial barriers to long-term financial security for many people.
5. Bipartisan agreement is emerging on the need to increase retirement plan coverage, maintain or expand tax incentives for retirement savings and plan sponsorship, and promote financial education.

Working longer

1. Labor force participation is increasing among older workers, but those with lower education levels are more likely than others to stop working due to health issues and the physical demands of their jobs.
2. Many workers change jobs after age 50. While the new jobs often pay less, they also tend to involve less physical labor and managerial responsibility.
3. The service sector has seen significant growth in employment of older workers, particularly jobs that require limited physical demands, have flexible work schedules and provide opportunities for social interaction.
4. Labor force participation among older workers has increased since the passage of state and federal protections against age discrimination in employment.
5. Strategies to reengineer the workplace for an aging population include flexible schedules, continuing education to address changing technology and knowledge requirements, and reorganization of how and where people work.
6. The federal government is a leader in the use of phased retirement. Beginning in 2014, some 100,000 federal employees are projected to take phased retirement each year, reducing annual payroll costs by \$450 million.

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