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Why Most Americans Won't Retire Well

Most Americans live and work with the expectation that, sometime between their 65th and 70th birthday, they will be able to retire from their workaday activities and spend their golden years enjoying grandchildren, traveling or other forms of recreation, or doing volunteer service such as missionary work that the demands of a career and growing family once precluded. Although a comparatively recent by-product of modern prosperity, retirement — like medical care and education — has come to be widely viewed as an essential component of the lifestyle of comfort and diversion to which several generations of modern Americans have become accustomed.

Yet the rite of retirement, for millions of Americans, is less reality than pipe dream. Every day, younger Americans shopping for groceries, eating out at family restaurants, or taking their children to school interact with elderly men and women running cash registers, waiting tables, driving commercial trucks and buses, teaching classes, and doing myriad other types of full-time work. To those of us who remember our grandparents as the people who always had time and means to entertain their grandchildren, because full-time careers and other concerns of youth and middle age were finished, this can seem jarring. And while some working senior citizens may do so out of a desire to keep busy and be productive, a majority continue working because they are financially unable to retire.

Although America continues to progress technologically and economically, the decrease in the percentage of senior citizens able to retire is a troubling indicator of a larger trend — that today's rising generation can expect to be less well-off than their parents and grandparents, with many of the elements of the traditional American dream — such as a well-earned retirement — becoming relics of the past.

The expectation of retirement, an outgrowth of the development of large-scale financial independence among the middle and working classes, is not much more than a century old. Government-sponsored retirement, via pensions for the elderly, was first implemented in 19th-century Germany, by Otto von Bismarck. The idea of government (i.e., taxpayer-funded) pensions for the elderly began catching on elsewhere in Europe, and reached the United States during the Great Depression, when the Social Security system was created as part of FDR's New Deal. It should be noted that government pensions as a means of providing retirement were (and remain) very much a part of the socialist program; prior to the advent of modern socialism, government pensions in some countries (including the ancient Roman Empire) were confined to those who had served in the military.

But Social Security has never been more than a partial retirement program; even in its early years, a Social Security check often was not enough to enable its recipient to retire fully. Nowadays, with Social

Security benefits dwindling relative to rising costs of living, the anticipated Social Security check will not be enough to pay for all the necessities of even the most Spartan lifestyle. For this reason, Americans regard retirement as something primarily funded by private income and savings. Most large employers still offer retirement savings programs for their employees, while government programs such as IRAs encourage earners to set aside money for their retirement, using tax deductibility as an inducement.

Besides company-based pension plans, Americans traditionally relied on investment portfolios, accumulated over several decades of working and saving, to provide retirement security in old age. It was once axiomatic that money invested in stocks and bonds — especially in "blue-chip" corporations that returned reliable gains year after year — was an essential part of a retirement nest egg. In this respect, the life of this author's grandfather was a typical embodiment of the "American dream" as it was understood during much of the 20th century. After graduating from college in the 1930s with an engineering degree, my grandfather began work at a large oil company. Despite purchasing a nice home in an upscale suburban New Jersey neighborhood and raising four children, he set aside a portion of his earnings every month to buy stocks. Because his peak career years coincided with the great post-World War II economic expansion, his portfolio grew by leaps and bounds, allowing him to retire in the mid-seventies in his early 60s, move to a bucolic Pennsylvania country home, and spend much of the rest of his long life helping his children and grandchildren. When he passed away, he left a considerable inheritance to all four of his children and indelible memories of a hardworking American who had risen from a humble upbringing in Pennsylvania coal country to live life to the fullest.

Such biographies seem outlandish in the "new economy" of the 21st century, a time when even a modest suburban home typically costs many times the annual salary of even higher-paid professionals such as doctors and engineers, when a family-sized SUV costs more than many small homes, and when a college degree runs well into six figures. Most Americans today are so deep in debt — from mortgages, car payments, and student loans — that becoming debt-free anytime prior to their 60th birthday is not a realistic prospect.

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