

Annual Income*



THOMAS

Income: \$30,000/yr

AGE | 35

JOB | Machine Operator

Thirty-five years old and divorced, Thomas is a machine operator in a manufacturing plant who earns \$30,000 per year. His employer sponsors a defined benefit pension plan that would replace a portion of his terminal salary in retirement. Between his pension income and Social Security benefits, his retirement would be comfortable, if all goes well.

RISKS

Thomas might not remain employed with the company long enough for his pension benefits to vest; the plan could be frozen before large, late-career benefit accruals; or the plan could fail (perhaps because it was underfunded and the company went out of business) and pension insurance (provided by the Pension Benefit Guaranty Corporation) might not cover the full benefit.

He might take a lump-sum distribution rather than an annuity and face the risk of outliving the funds.

If he becomes disabled and is no longer able to work, he would not accrue additional retirement benefits.

*Annual Income = Annual Household Income



BIPARTISAN POLICY CENTER

Private Retirement Plan: None

ANITA Income: \$20,000/yr

AGE | 39

JOB | Waitress/Call Center Operator

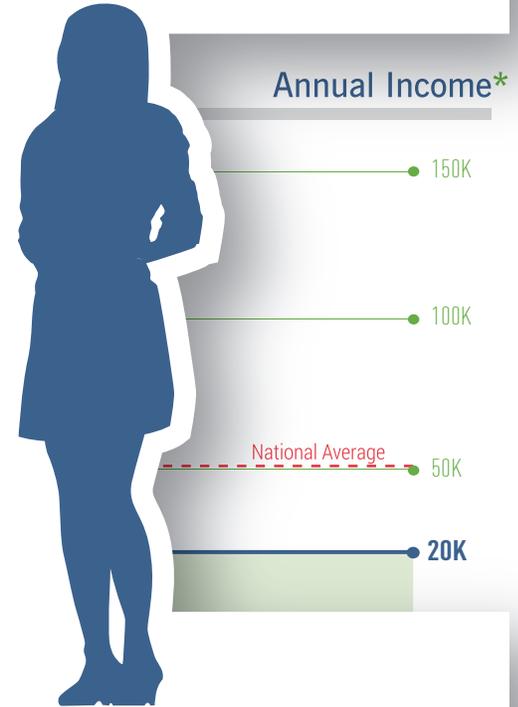
Anita, a 39-year-old single mother, makes \$20,000 annually between her two part-time jobs as a waitress and call center operator. She doesn't have access to a retirement plan at either job, and her low income makes it challenging to save.

RISKS

On her current path, Social Security would be Anita's only significant source of income in retirement. Her Social Security benefit at full retirement age (67 for her) would replace three-fifths of her pre-retirement income, a substantial drop in her standard of living.

If she spends significant time unemployed or claims Social Security as soon as she can (at age 62), she would get smaller benefits, possibly leaving her under the poverty line in retirement.

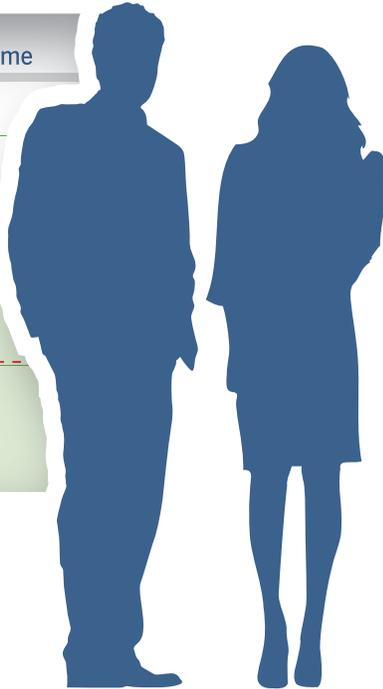
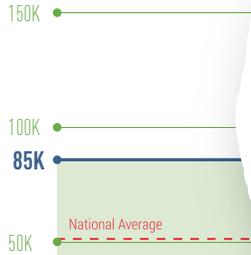
Anita probably would not be able to purchase a home, would have to continue paying rent throughout her retirement, and would not be able to rely on home equity for any retirement income.



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Annual Household Income



JOHN *And* MARIA Income: \$85,000/yr

AGE | 42 & 37

JOB | Paralegal
Administrative Assistant

At ages 42 and 37, John and Maria both work full-time. John is a paralegal and Maria is an administrative assistant. They make a combined \$85,000 per year. John participates in his workplace 401(k) plan, contributing 3 percent of salary with an employer match of 1.5 percent. Maria's workplace 401(k) does not offer a match and she does not contribute. They are close to paying off a combined \$60,000 student loan debt.

RISKS

— If John and Maria don't increase their contribution rates during their working years, their personal savings would be quickly depleted in retirement, leaving them to live on Social Security benefits alone, which would provide less than half of their pre-retirement income.

— Leakage from their retirement accounts, such as taking a cash distribution when John changes jobs, could further sap their nest egg.

— John and Maria have prioritized paying off their student loans, making it hard for them to save for retirement or buy a home in which to build equity and secure a rent-free place to live in retirement.



BIPARTISAN POLICY CENTER

Private Retirement Plan: 401(k) + IRA

TINA *And* RON Income: \$170,000/yr

AGE | 47 & 47

JOB | Lawyer
Editor

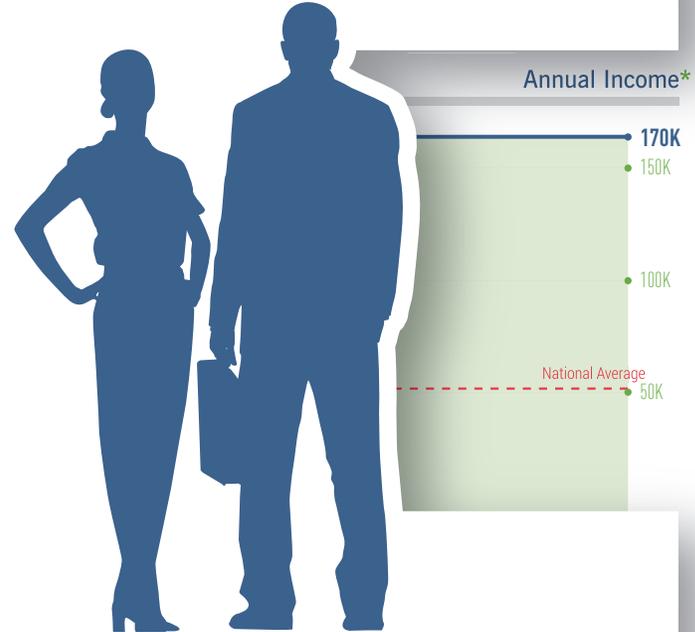
Ron and Tina are both 47 years old. She is an editor and he is a lawyer. They have a combined annual income of \$170,000. They both participate in 401(k) plans at work, each saving 12 percent of salary, including employer contributions. They plan to start maxing out contributions to an IRA when they reach age 50. By the time they retire, they would have a large nest egg and, if all goes well, would have a financially comfortable retirement.

RISKS

Tina and Ron could make poor investment choices or select investments with high fees that could sap the growth of their savings.

If they do not purchase a lifetime annuity, they could outlive their savings. Should that occur, they would need to live on their Social Security benefits alone, about one-quarter of their pre-retirement income.

One or both of them could need expensive long-term care to help with activities of daily living. A significant, prolonged need for long-term care could drain even their substantial savings.



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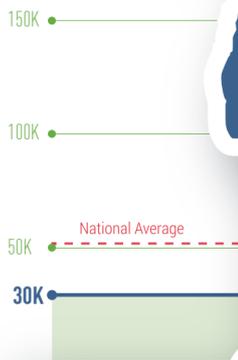
RETIREMENT SECURITY: A DIVERSITY OF RISKS



Americans have a variety of ways to prepare for retirement. Some have defined benefit pensions, while others have 401(k)s or IRAs. Most will be entitled to Social Security benefits in old age. But many Americans have no retirement plan outside of Social Security or are not preparing adequately. Saving for and managing the risks surrounding retirement security can be a daunting task, as shown by these illustrative profiles.

Private Retirement Plan: Defined Benefit Pension Plan

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Private Retirement Plan: None

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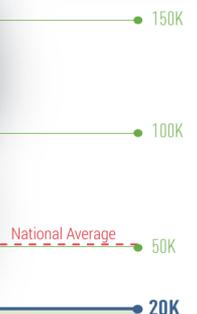
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- If she spends significant time unemployed or claims Social Security as soon as she can (at age 62), she would get smaller benefits, possibly leaving her under the poverty line in retirement.
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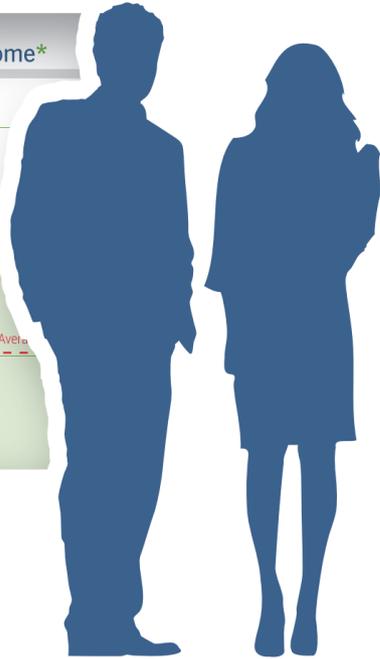


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Private Retirement Plan: 401(k)

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Private Retirement Plan: 401(k) + IRA

TINA And RON Income: \$170,000/yr

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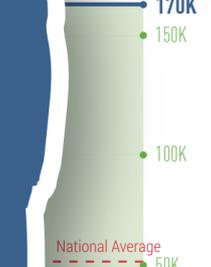
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