

VIDEO

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Focus on Funds: New Research Offers Good News for American Workers

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A new ICI analysis shows that American workers maintain high levels of spendable income after claiming Social Security. In the September 8, 2017, edition of *Focus on Funds*, ICI Senior Economist Peter Brady summarizes the research.

Transcript

Stephanie Ortballs-Tibbs, ICI Director, Media Relations: When discussing the US retirement system, one of the important questions people always want to ask and answer is: how do retirees do income-wise after they've left the workplace? Recently, ICI Senior Economist Pete Brady did a new analysis of this question, using fresh data from the [Internal Revenue Service]. Here's what I've learned about his findings.

Peter Brady, ICI Senior Economist: Yes, we're very excited about it. It's a project that we've worked on with coworkers inside the IRS, and we were able to have them analyze tax data for us. So what we have is, individuals who were working in 1999 who were close to retirement age—close to claiming Social Security—and we were able to follow them through 2010, so that we can identify the year that they claimed Social Security benefits. And then, what we do is, we look at two questions: one, what happens to their income near that time, and second, where do they get that income from?

Ortbals-Tibbs: That is a remarkable figure and what does spendable income mean?

Brady: Spendable income is an attempt to have a consistent measure of what people have available to fund consumption. So, it won't include certain things that you can't spend—the money you spend on taxes, the money you put into your retirement account. It will include some things that aren't included in taxable income, however—the portion of Social Security benefits that aren't included in your income measure would be included in spendable income, because you can spend that.

Ortbals-Tibbs: What was one of your key findings?

Brady: Our main finding is that three years after claiming Social Security, the median

replacement rate for the people we analyzed was 103 percent. They replace 103 percent of spendable income.

Ortbals-Tibbs: It also contained some surprising information to you in the end when you looked at it.

Brady: One of the surprising things is where people get their income from. What we found is that we knew Social Security was going to be a substantial source of income, but retirement income—that is, income from annuities, pensions, and IRAs—were also substantial. So for the vast majority of people, they received substantial income from both sources.

As a matter of fact, 81 percent of people that we analyzed had income from pensions, annuities, and IRAs, and another 8 percent had evidence that they had these—such as a rollover to an IRA that didn't produce income but showed that they had an IRA. So, 89 percent overall of people who were working that claimed Social Security had these resources. That's much higher than we've seen in other data sources.

Ortbals-Tibbs: And this is really valuable because this is new information, new analysis, that really has not been out there before?

Brady: Yes, this is a new way to look at a question that people have been trying to answer. There are a lot of issues about reforming Social Security, reforming our employer plan system, and before we go and do that, it would be nice to know how they're performing and how they're working. We're coming at it with tax data, which has many advantages. We think it's very accurate, and we can measure what people are actually receiving that we have tax reform information on.

Additional Resources

- [Fact Sheet: Most Americans Maintain or Increase Spendable Income After Accessing Social Security](#)
- [Release: ICI Analysis Shows Americans Maintain or Increase Spendable Income After Claiming Social Security](#)