

HENNEPIN COUNTY AGING INITIATIVE

Community Focus Group Project: Financial Security

Becky Kroll, CLEAR LLC & Diane Morehouse, QED

For Hennepin County Research, Planning & Development Department
Sherrie Simpson, *Director*

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Research, Planning & Development Department

FINANCIAL SECURITY

Financial Security Preview. In summary, the focus group participants we interviewed do not have strong, positive views of their current financial well being, and worry about their next fifteen years in the face of those concerns. Most have felt the effects of the recent economic depression (only 6 of 138 participants did not report any of the recession impacts we asked about) and worry further about the uncertain future. Concerns about continued availability of Medicare and Social Security, solvency of pension funds, and increased health care costs impact participants' sense of financial security and their plans for the future.

Immigrant groups face shifting expectations and doubt they can rely on traditional expectations about children being able to care for elders. Acculturation, the need to work outside the home, and adverse economic effects on their children mean they can't rely on past practices. Those who support large extended families find it difficult to manage.

We also heard about some of the financial issues faced by GLBT citizens, particularly couples and families. Increased taxes on benefits (when available for domestic partners), the added costs of making legal arrangements, and unavailability of Social Security benefits for partners are part of the added financial costs faced in this community.

Participants also lament the decreases in housing values and taxes, and wonder if they will be able to afford the kind of housing they need or wish. Those living on low and fixed incomes find the current economy very difficult to manage. Those who are well off are worried about other family members, particularly their children; those who were doing all right but lost jobs involuntarily past 50 are worried about getting by; and those who are now just barely getting by are terrified that their basic level of services and support will erode or vanish, leaving them adrift.

The current financial situation significantly affects decisions about work, which means that work will continue to be a factor for this age demographic (of 55 to 65 year olds). A smaller proportion of them will retire at the traditional age. Working longer is a plan for many; many who have retired would like to find work. Those without a job are finding it difficult to return to work and recover financially in a tight job market, which is not perceived as very senior friendly, and which many perceive is full of conscious and unconscious age discrimination.

Issues of financial security loomed early and large over most of the focus group discussions. The impact of the recent economic recession should not be underestimated in its importance and impact on the lives of people in the 55 to 65 year age range. Many participants mentioned that, although they feel healthier and "younger" than their parents, their retirement will be much different and much less secure. In all of the groups recruited for this project, people report not feeling financially secure, despite substantial differences among groups in their current financial income and assets. Few have been untouched by the recent financial recession. Many imagine their next 15 years as overcast with concerns about financial security.

Financial benefits. We heard in most of the focus groups concern about whether benefits they expected will remain available to them. Most often this concerned Social Security and Medicare.

"Well basically it's having enough resources to take care of health, whether it's health insurance or things that aren't covered by health insurance. Just having enough resources to live comfortably in the long term and giving the state of our economy right now and all these things

that are kind of in the air, the uncertainty of what's going to be, you know with Social Security, what's going to be with Medicare, I think those are like these clouds, dark clouds that are looming over us and I think the unknown is sometimes harder to deal with than the facts. So when you're in limbo like that and you don't really know what's going to be with this and what's going to be with that, I think that's hard. I know for me and for some of the people I speak with, the unknown is a difficult thing to deal with."

"Every year we hear of the debates from the congress. We hear that in the year 2020 the social security will be overthrown...that will also will make you worry. For example, when I pay my dues I do expect that I get that in my retirement. Are we actually living like Africa, sometimes we pay our dues back there but we never get anything -- so we have that worry. Will I be able to access like affordable healthcare after all I've been through...and will my benefits be continued...What does Congress have in mind in the years to come?"

"There are still things that aren't covered, that your out of pocket costs go up considerably, even though you have — I mean, it's pretty amazing, because Medicare is a big value. If we had to fund all of that at our ages, I mean, it would be astronomical. I think one of the scary things is, what is going to happen because of the finances of it and will there be changes? I mean, there have to be changes, because it's financially unsustainable. So what does that mean?"

Coping with uncertainty. Many participants pointed out in the focus group discussions that previous plans and assumptions about retirement are no longer valid.

"Actually, I think there's two different things here. One is what do you want to do, given the current and/or future political environment, and what might you be able to do. So when you look at this, what you want to do versus what might happen in the worst or best case scenario, are two different things, and you'd better have a Plan A and you'd better have a Plan B."

"There is nothing that is certain. My job isn't certain, my kids' future isn't certain, where I live isn't certain, my financial situation isn't certain, everything, and it's the first thing I think of every morning when I wake up. I'm terrified. It's just like I wake up and I'm like, oh, my God...what's going to happen, and I don't know, because so much has happened that I never expected to happen..."

"It all depends on the economy. It all depends upon what the market is. There's no way of knowing. You know, that's what you'd like to see happen in the future. You always have a plan, but that doesn't mean that plan is going to come to pass. I mean, God laughs at your plans."

"You know, it's not in your future, you know, to say, "Okay, I'm going to kick back and play golf."

"I had this fairy tale thing that I was going to do the cruise around the world and do Europe and get to Africa. Not in this lifetime, but at one point, it may have been an option. Now I'm wondering, you know, am I going to have enough money to afford healthcare, the gap insurance..."

"Well I'll tell you how smart I am. I got -- I went to college, got my degree, got a really good job, saved all this money so I would have it for retirement and now there's nothing left. Well I mean there's something left but you do it one way or you do it the other way. So who is smart here? I wasn't."

Changing cultural expectations. Immigrant communities who traditionally rely on their children to take care of them in later years are also shifting expectations. Traditionally, investing in children was the way to ensure well being in later age.

“If the children succeed...because we don't believe like retirement plan or investment. We invest in our children and we hope our children will take care of us when we get older.”

“Our culture is to take care of elders, so...if my children succeed they will take care of me because if they can't take care of themselves they cannot take care of me. And we do believe that investment of our culture is put in the children, educate them and make them respect their elders and we hoping that we are not ending up in nursing home because in our culture it's very bad if you throw your parents in a nursing home.”

“Here you mentioned social security, our social security are the children. You mentioned the welfare, our welfare is our children. Our IRA and 401k is our children. We invest in our children. We take care of them so right now we come here we have two social securities, we have two different employment plans.”

Some are uncertain about the effects of acculturation in preserving this way of caring for elders.

“That means, I take care of you when you are young, you take care of me when I grow old but that was then. Let me put it in this is now. We are in America. Our children have exposure to the Western culture. We don't know how much. Do they take the good with the good or do they take the good with the bad or do they take the bad with the good or the bad with the bad. This is the worry we have.”

Expecting children to care for parents is also dependent on the children doing well financially. Parents are deeply concerned about their children's ability to care for them.

“Right now Lao people living here 30 years, many of them getting old. And they cannot depend on their children like they did in their country. They keep their parents, kids over there. Here, kids go to work and don't have time to take care of children.”

“In American, because children are working. They don't have time. They have to pay mortgage, pay bills.”

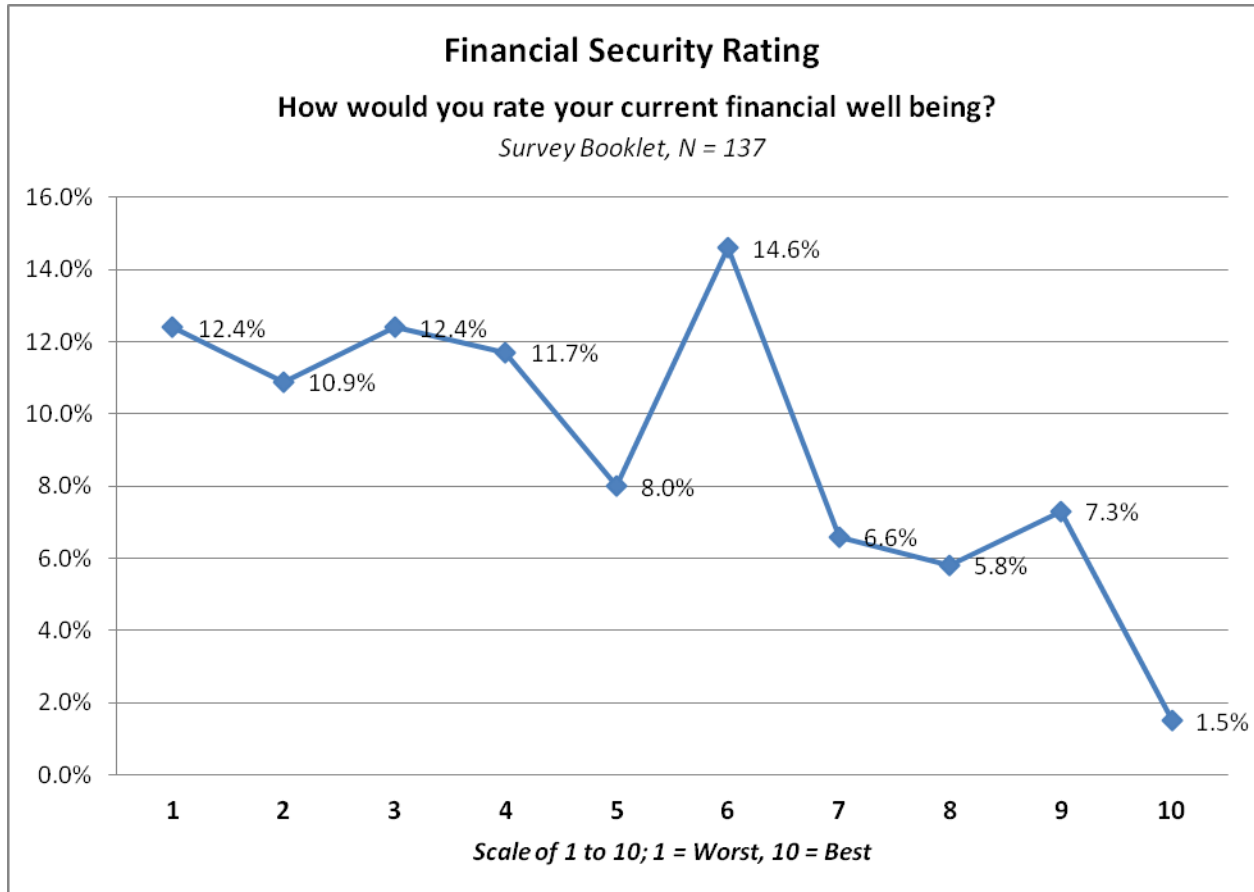
“The economy is tight right now, it is still hard, kids cannot get a job. You put it like, in Asian culture, you depend on kids. But right now, isn't working.”

The cultural traditions of providing support for extended family also means there are further financial obligations for participants in some of the groups.

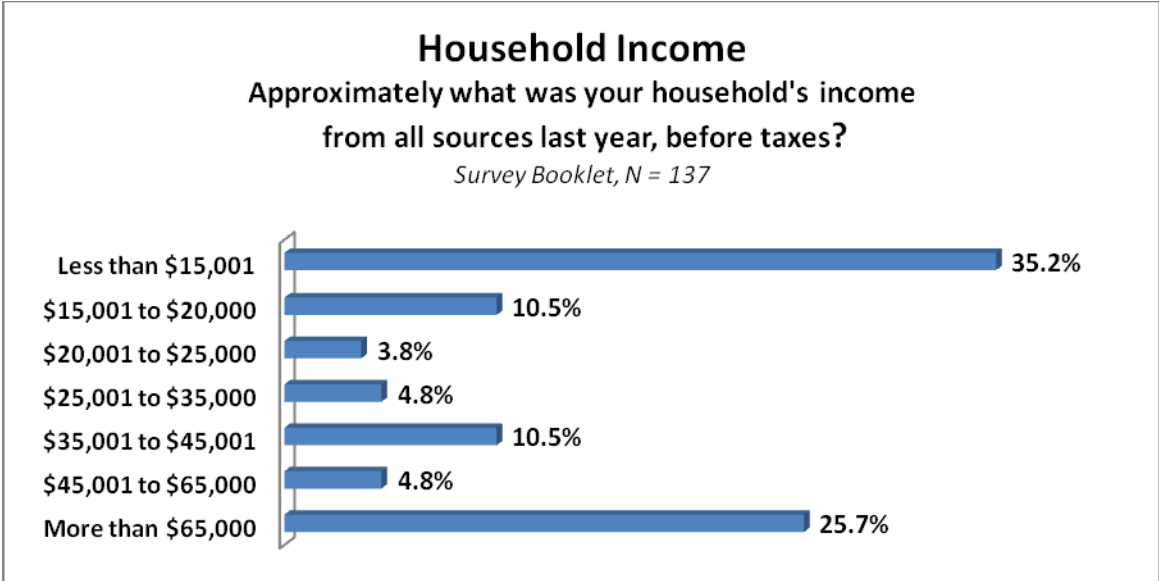
“When I get paycheck I have to think where to I start, how can start. Okay aunt is right there, uncle is right there, brother who also, five kids is there, so okay send this one 50 bucks, uncle extend family 150 bucks. So the pay check, 50 percent of the pay check goes.”

“We have a lot of extended family. They're all rely on us. So if you give me \$10,000 a month salary for example, you think I am living like an emperor size. No, I am one of family of 100 then 10 family, my sisters, my uncle have a chance so I have to support them.”

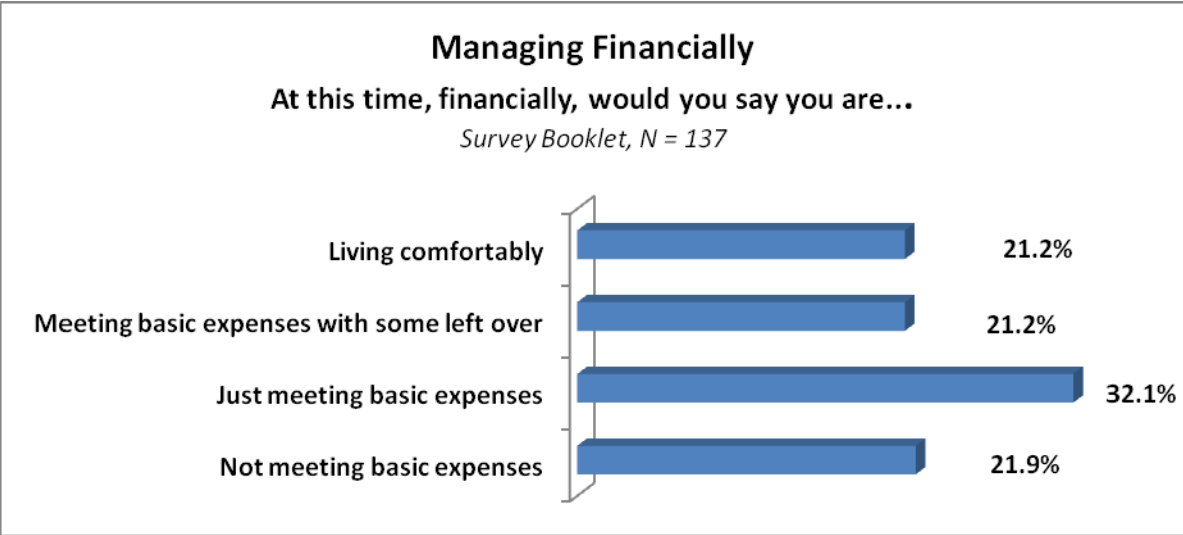
Rating of financial security. Responses to written questions also reinforce the theme in group discussions about financial insecurity. When asked to rate their *current financial well being* (on a scale of 1 to 10, with 10 = Best), less than 2 percent rate their financial security as 10 on a 10 point scale. The average rating across all groups was **4.59**. If all respondents were divided into four groups (quartiles), the bottom 25 percent rated their financial security as “2” or less; and fifty percent o rated their security as “4” or less.



Income. Because financial security is related to income, we also asked participants a number of questions about income and income sources. As the following graph indicates, the most of the focus group participants fell into the lowest and highest income levels.



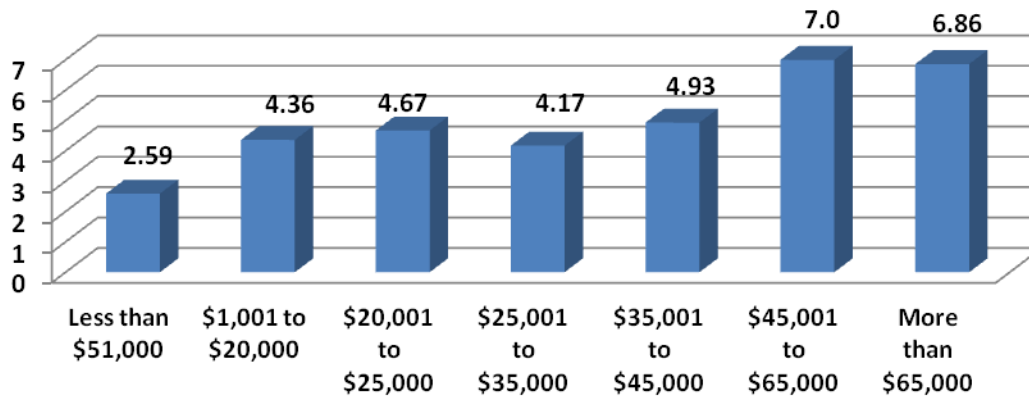
Only 21 percent of participants indicate that in financial terms, they are living comfortably, with an additional 21 percent say they are meeting basic expenses with some left over. Over half of participants (54 percent) indicate they are just meeting, or not meeting basic expenses.



We compared participant responses on two of these written questions. Overall, those who rated their security more highly were those with higher incomes, although those with the highest incomes did not have the highest average rating of financial security.

Ratings of Financial Security by Income Level

Survey Booklet, N = 137



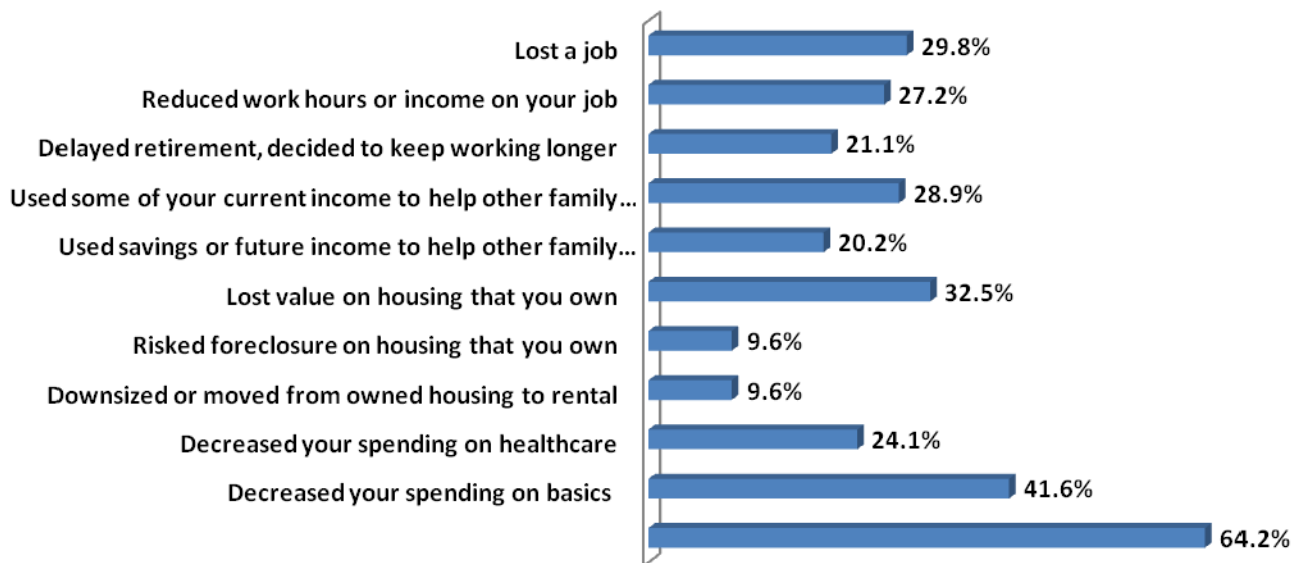
By income level, mean/average ratings on scale of 1 to 10, 1 = Worst to 10 = Best

Recent recession. Nearly all participants had been touched in some way by the recent economic recession – 96 percent of 137 participants answer “yes” to at least one of the questions asked about the impact of the recession. The following graph shows the extent to which participants have been affected.

Impact of Recent Economic Recession

In the past three years, due to the economic recession in this country, have you done any of the following? *Check all that apply.*

Survey Booklet, N = 137

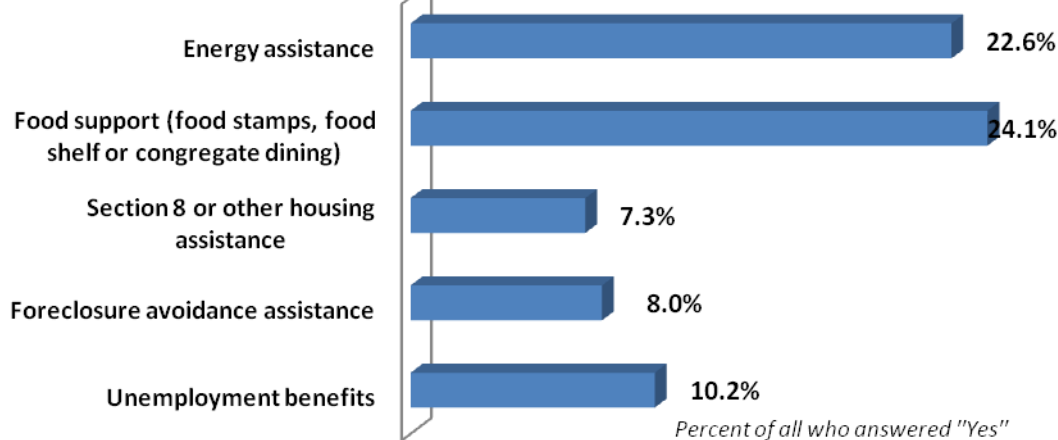


We asked participants about use of resources in the past three years. Note that 25 percent have used energy assistance, nearly 24 percent some form of food support, 7 percent housing assistance, nearly 10 percent foreclosure assistance, and 11 percent unemployment benefits.

Resources in Past Three Years

Have you used any of the following resources in the past 3 years?

Survey Booklet, N = 137



Income sources. We asked participants to indicate their sources of income, currently and what they plan to be a source of income after age 65. The following table and graph summarize responses and reinforce the group theme about continuing to work past age 65.

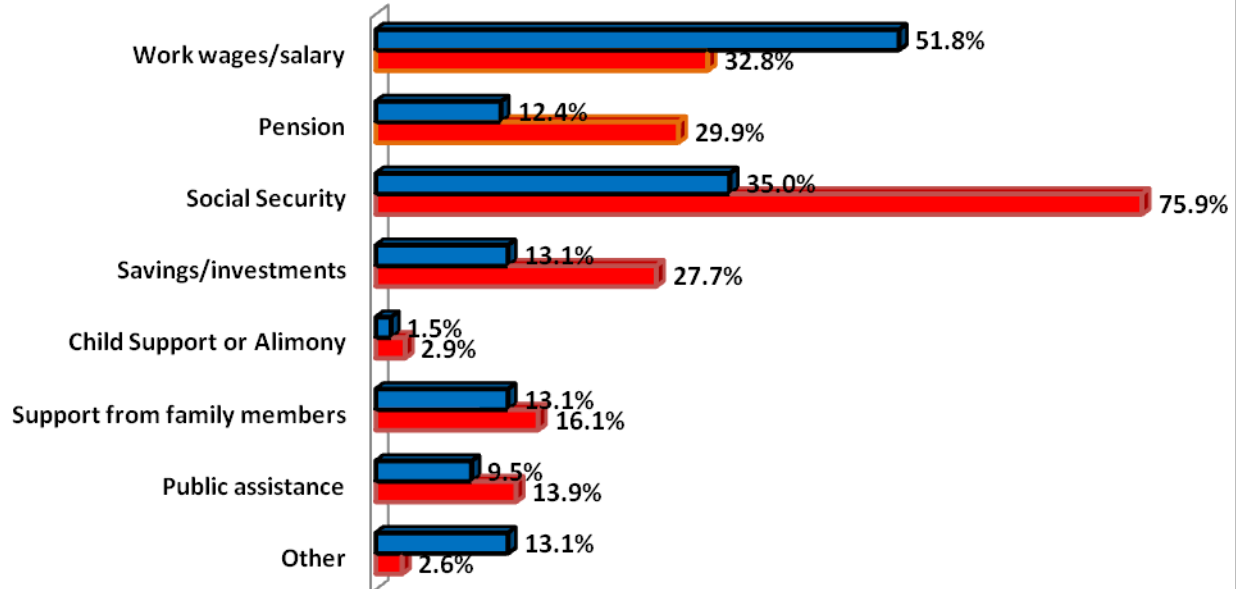
Current Source of Income		SOURCES OF INCOME	Source of Income After 65	
71	51.8%	Work wages/salary	45	32.8%
17	12.4%	Pension	41	29.9%
48	35.0%	Social Security	104	75.9%
18	13.1%	Savings/investments	38	27.7%
2	1.5%	Child support or alimony	4	2.9%
18	13.1%	Support from family members	22	16.1%
13	9.5%	Public assistance	19	13.9%
18	13.1%	Other, including:	3	2.6%
<i>6</i>	<i>4.3%</i>	<i>Disability</i>	<i>1</i>	<i>0.9%</i>
<i>4</i>	<i>2.9%</i>	<i>Babysitting, housecleaning</i>		
<i>4</i>	<i>2.9%</i>	<i>Unemployment</i>		
<i>3</i>	<i>2.2%</i>	<i>Rental income/property</i>	<i>1</i>	<i>0.9%</i>
<i>1</i>	<i>0.9%</i>	<i>Farming</i>	<i>1</i>	<i>0.9%</i>

Sources of Income Currently and After Age 65

What are your sources of income? Check all that apply, currently, and what you plan to be a source of income after 65.

Survey Booklet, N = 137

■ Current ■ After 65



Current sources of income. Fifty two percent of respondents currently have income from working, and 35 percent from Social Security. Twelve report current income from a pension, and 13 percent each from savings/investments, support from family members, or other sources (including disability, unemployment, babysitting or housecleaning, farming or income property).

Future sources of income. Thirty-three percent of respondents are planning on wages from working past 65. About 30 percent of respondents plan on income from a pension, and 76 percent count on Social Security as a source of income after 65.

This picture is consistent with what we heard in the focus group discussions. Those who have worked at lower income jobs, and those on fixed incomes are facing economic challenges.

“Well I don't know about the rest of them but being on disability even though it's Social Security it's not giving an increase every year. And when you do get an increase, the increase you get usually winds up going towards your rent or some other things like medical bills and stuff, the increases on those costs. So what money you might get for an increase doesn't do you a darn bit of good because it goes right out the door again to something else.”

“Because most of the people that were poor in the first place, it was always a recession. So this, just compounded everything else, you know, be it benefits, be it working wage, affordable

kincome, affordable living – you know, apartments have gone up. Housing, forget about it, buying a home. So everything is just compounded.”

“So when I'm a little older, I hope I'm in good health, but I'm not going to have any money. Because I didn't have those kind of jobs where you could put back, you know, the 401(k)s and all that. I don't have that. Uh huh. I needed every penny when my check came.”

“I never had any savings. I don't have any savings whatsoever. I have a checking account with about \$1.90 in there, you know. No savings account, none. So that's where I'm at. But I haven't given up on anything, and I'm still looking for a future. You know, and I have positive thoughts. But I don't have savings, and I might never have any savings.”

Housing costs. For homeowners, housing costs and values are significant in their sense of financial security. Sixty-two or 45 percent of participants indicated they live in a home, townhouse/condo/cooperative which they own. When asked if they have a current mortgage, 44 of the 62 owners, or 71 percent, indicated they have a current mortgage. All of those who own a townhouse/condo/cooperative report paying HOA fees, as well as special assessments.

More than one person in most of the focus groups expressed concern about being able to afford to stay in one's own home.

“I'm also worried about – I'm seeing the way property taxes have jumped. I mean, when I bought my house in 1989 it was less than \$400 a year for property taxes, and I'm paying \$3,000 right now...am I going to be able to afford my home? Where am I going to go? ...am I going to be one of the people on the streets? Even though I have some funds, Social Security and (a pension), what is my future?”

“Well, it's like my home. I mean, I bought my home ten years ago. It's a duplex, I bought it solely as a retirement investment, and it's lost better than 50 percent of its value. I actually — I probably couldn't sell it today for what I have a mortgage on it. I know I can't. You know, my only option would be to walk away from it, to actually get up and walk away from it.”

“Pay off your mortgage, you know, have that all done. The thing that really scares us to death, I've got to bring it up, is taxes. I mean, if we do have to leave, it's because the taxes are so high. ... That's a huge issue. Taxes are what, you know, people's mortgage payments should be. And that's not really in our control.”

“15 years ago we were like, “Yes, I'm going to retire. I'm going to have my house.” And now we're all sitting here saying can we even afford our house one year to the next? You know, can we — you know, I look at my property taxes, I look at my electricity bill, I look at the city taxes, the county taxes, the state taxes.”

Another related issue raised in several groups focused on declining home values. Many of the focus group participants reported that their homes were underwater (appraised as less than the mortgage). Even if they had planned to downsize in retirement, most understand they cannot afford to sell their house.

“And we have a number of neighbors for, you know, whatever the circumstances, illness or death in the family, that sort of thing, that have just retired, but they can't stay, and they can't sell their houses.”

“Yeah, unfortunately it goes back to my finances...I bought a house in 2008, and even though it had already gone down in value, it’s gone down dramatically, so I’m somebody who...put a down payment on a house and it’s been lost....I’m underwater on my mortgage. The house is worth a lot less than the mortgage.... I just never thought — I just really never imagined that I could find myself in this situation, you know, and particularly because I bought a modest house.”

“My neighbors on either side of me, we all bought our houses eight years ago, and they have both stopped paying and they’re both underwater, which of course I am too. I’m still paying. But what do we do? The houses are for sale for \$100,000 less than what they paid for them eight years ago.”

“My house just in the last few years has lost about a third of its value, and I wasn’t thinking of it so much, I guess, as a big asset until it started to disappear.”

Financial Insecurity => Work. Much of what we heard in the focus group discussions was about how financial insecurity (or uncertainty) has led people to plan to work beyond traditional retirement age. We heard in most of the groups how people have changed their thinking about work – most often linked to concern about health care costs – particularly the unknown future costs. Many of those with jobs plan to keep working; others without current jobs wish they could find work. Many also voiced concern that age discrimination faces them as they age, and is particularly a challenge for those who have lost jobs and are seeking new ones.

Health care costs. Many of these decisions about continuing to work past traditional retirement age are based on concerns about health care costs.

“Well, I think the other thing that’s scary is — I mean, for people who get their health insurance largely paid through their employer so that your hit isn’t all that much, it’s a rude shock to then go to Medicare and then pay supplemental policies. And that’s why a lot of people are working longer, just to hold onto the health benefit, because the cost of the healthcare is so ridiculous. Or to pay for their supplemental insurance.”

“One thing that has definitely changed in the way I view things is I’ve stopped expecting to retire....my parents, my grandparents...lived comfortably on their Social Security and their farms and left enormous estates to their children when they died, and then my parents’ generation retired with that same idea, they were going to retire...and have a wonderful life, and my parents handled their money very well...they saved for retirement. They worked with a financial planner. They were well set when they retired, but they did not expect my mother to have a very expensive debilitating illness where for probably at least a decade their life has just revolved around doctor appointments...that’s been their whole life. And between that expense and the economy crashing, we’ve learned in the last year that they are probably going to run out of savings within four to five years. And so both seeing their experience has made me think – I’ve been real careful with my money and working with a financial planner who says I’m fine, I have nothing to worry about, but I don’t believe him anymore.”

“I was going to retire until I saw how much you have to pay out for Medicare, supplemental, I just couldn’t believe it. So all that insurance and Medicare, you’d have to just eat bread.”

“Definitely I would probably stay (on this job) until I’m in my late 60s and then maybe find a part time job. I just don’t see, the way things are going for my mother... she has to pay \$400 a month

in prescription costs — it's taking her savings, and, you know, it's just — there's just no other way. I mean, the economy has just gone down."

Some who have retired have encountered higher than expected costs, particularly related to health care, and already have or would like to return to work.

"Yeah, mine is health, but it's being on a fixed income, trying to keep up with the cost of living. It's just, you know — it's outrageous, and I'm trying to figure out — which probably will force all of us, or at least me, to get another job to supplement my retirement. That's just one heck of a challenge, and I, like all of us, planned the best I could, but I can't keep up with the cost of living. I just can't."

"You know, I'm on Social Security too, but I've also got a job, and if I didn't have the job, I don't know what in the world I'd be doing now, because, you know, this makes my ends meet. I worry about my finances."

"I learned this year — I learned why a lot of people retire and keep on working, because when I retired, my check's enough to cover my rent, and I could keep my cable and be able to cover more things, but other than that, I don't have money to travel or do other different things, so I have to work."

Desire for jobs. More of our focus group participants are facing dire economic straits due to recent job losses, particularly in immigrant groups and among women who are living independently. Some have involuntarily lost jobs at a later age, and find it difficult to find another in this job market. Many who are preparing for or seeking jobs encounter little interest in hiring those of older age. When we asked about the issues of looking for or holding jobs at the age of 55 or above, we often heard a chorus of "ageism."

"I have serious work accomplishments, and if I stand next to a 25-year-old, they're going to pick the 25-year-old even if I say to them, "I'll take that compensation," and there is nobody that I hear of...name me some organization, name me some person in our community that is actively vocal and doing something proactive to increase the job opportunities for our age group."

"It's hard to find a job. Because there's too much competition out there now, because even the ones that are coming out of school now and those that have degrees or certificates — and we're seniors. It is going to be harder, because they look at the younger ones."

"When you hear, oh, the boomers are going to have to be working until they're 70 years old, I think where the hell do they think we're going to get jobs?"