Retirement Income
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'COVID-19 is not a retirement story': CRR

By Editorial Staff *Thu, Feb 25, 2021*

'A hot topic these days is how COVID-19 and the ensuing recession have affected retirement. The surprising answer may be: Not very much,' write Alicia Munnell and Anqi Chen of the Center for Retirement Research at Boston College.

The COVID-19 pandemic hasn't changed Americans' overall retirement funding picture—mainly because the people who lost the most in the pandemic were those who already at greater risk for an insecure retirement, according to a new **report** from the Center for Retirement Research (CRR) at Boston College.

"The problems confronting the retirement system before the pandemic remain. Social Security continues to face a 75-year deficit and the depletion of the trust fund in the mid-2030s," write Alicia Munnell, director of the CRR, and Anqi Chen, assistant director of savings research. "Employer plans continue to face inadequate balances, a major coverage gap, no decumulation mechanism, and low interest rates. And older workers continue to face difficulties in finding new jobs, causing many to retire too early," they write.

"On the benefit side, Social Security payments continue to go out each month, and 401(k) balances appear relatively unaffected. On the income side, the impact on Social Security's finances has been minimal, and employee and employer 401(k) contributions remain relatively steady."

"While older workers have suffered, they have not been hurt disproportionately and appear as able to work from home as their younger counterparts. On the other hand, those with the least education—workers least likely to have a 401(k)—have borne the brunt of the recession," the paper said.

Regarding the health of the Social Security system, the authors note, "The [Social Security] actuaries characterize the impact of the pandemic and recession as 'significant' and, indeed, a number of important assumptions look quite different in the next few years. Mortality is up, fertility and immigration are down, disability incidence is down in 2020 and then up for the next three years, unemployment is up, real wages are down then up, and real interest rates are down.

"But the impact on Social Security finances appears to be modest. Most of the pandemic/recession effects are projected to end by 2025, and the effects on the long-term deficit and on the depletion of the trust fund are negligible. In terms of the long-term outlook, the average income rate did not change at all and the cost rate rose only a tiny bit, leading to a slight increase in the 75-year deficit from 3.21 to 3.28 percent of taxable payrolls."