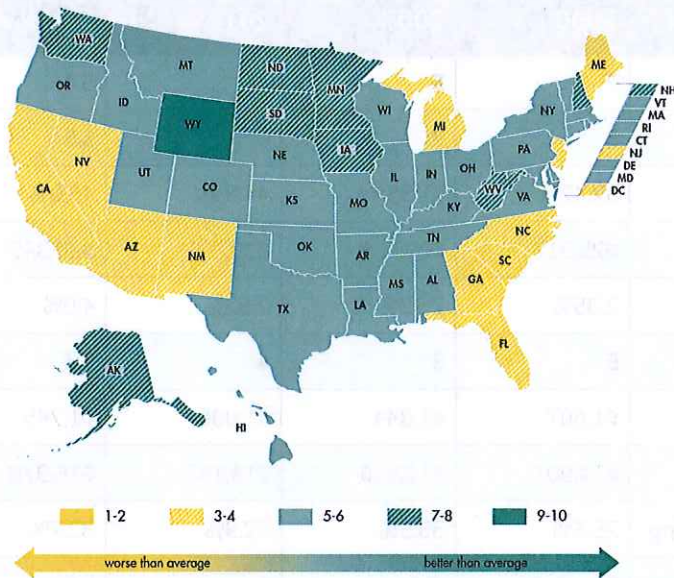


# Financial Security for Future Retirees: Michigan Scores 4 out of 10



Michigan like every state faces challenges to the financial security of future retirees. The state's 4 out of 10 score on the Financial Security Scorecard means that the next generation has a much lower potential for financial security in retirement than counterparts in many other states. The scorecard considers: future income, key retiree costs, and labor markets for older workers.

With its low ranking, Michigan has an important role to play fashioning financial security as workers age. Its major retiree cost and labor market scores were quite low; this means that workers need help to maintain their standard of living with an adequate income stream over their retirement years. Less than half of Michigan workers participate in a retirement plan at work. Those who have saved for retirement in defined contribution (DC) account have an average balance of \$30,021; this means that

workers have saved only about half of the \$61,137 average annual earnings of Michigan workers in 2012. Financial industry experts recommend that workers by their 40s should have 2-3 times salary in retirement savings set aside. Increasing retirement plan coverage and savings for retirement is important otherwise the percentage of older Michigan residents living in poverty in the future may exceed the 2012 level of 8.3 percent.



## POTENTIAL FUTURE RETIREE INCOME SCORE: 6 OUT OF 10

The components of Michigan's retirement income score were mixed and yielded an above-average score. With 45 percent of private sector employees participating in an employer-sponsored retirement plan in 2012, Michigan ranked just 35th in the nation in this regard. Since 2000 the percent of workers covered in a retirement plan has dropped from 57 percent. The \$30,021 saved in the average DC account held by Michigan workers was below the \$30,345 in retirement savings nationally. However, Michigan had a relatively low 2.52 percent marginal tax rate on pension income.



## MAJOR RETIREE COST SCORE: 4 OUT OF 10

Michigan had a below-average score in cost of living for retirees, largely due to the fact that the state had relatively low generosity in both Medicaid and Medicare benefits. Michigan retirees had a high Medicare cost-sharing liability of \$1,906 in out-of-pocket costs for enrollees, and average Medicaid payments were relatively low, at \$14,182 for older beneficiaries. Michigan also had a relatively high housing cost burden for older households, with 33 percent of older households paying 30 percent or more of their income towards housing costs.



## OLDER ADULT LABOR MARKET SCORE: 4 OUT OF 10

In 2012, Michigan had an unemployment for older workers of 6.9 percent, the ninth highest in the nation. The state also had a relatively low median wage for older workers, at \$14.62 per hour, versus \$14.76 nationally.



## MICHIGAN FINANCIAL SECURITY SCORES: 2000, 2007, 2012, AND NATIONAL AVERAGE 2012

	2000	2007	2012	National
<b>Overall Score</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>5.4</b>
<b>Retirement Income Score</b>	<b>8</b>	<b>7</b>	<b>6</b>	<b>5.5</b>
Retirement Plan Participation (Private Sector)	57.42%	51.35%	44.99%	46.0%
Average DC Account Balance	\$25,317	\$29,906	\$30,021	\$30,345
Marginal Tax Rate on Pension Income	2.35%	2.32%	2.52%	4.0%
<b>Retiree Cost Score</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>5.4</b>
Medicare Out of Pocket Cost per Enrollee	\$1,607	\$1,844	\$1,906	\$1,745
Medicaid Payments for Older Beneficiaries	\$14,901	\$12,530	\$14,182	\$16,978
Older Households Paying 30% or More for Housing	25.5%	33.5%	32.9%	32.7%
<b>Labor Market Score</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>5.6</b>
Older Worker Unemployment Rate	2.4%	4.7%	6.9%	5.6%
Median Hourly Wage for Older Workers	\$14.73	\$14.67	\$14.62	\$14.76

Note: All dollar figures are in 2012 dollars.

### ABOUT THE FINANCIAL SECURITY SCORECARD

The Financial Security Scorecard measures three key areas of retirement security: potential future income, major retiree costs, and the labor market for older Americans. This Scorecard assesses Michigan relative to the other states on these dimensions of retirement security.

Nationally, private sector participation and savings in retirement plans are particularly inadequate. Reflecting an overall downward trend, even the highest-ranking state for workplace retirement plan participation had just 54% of private sector workers age 21-64 enrolled in a pension or 401(k) style retirement plan. Furthermore, existing savings levels in 2012 generated account values that are lower than a year's income and below levels that financial industry experts recommend as targets for most ages. Thus, regardless of relative scores, all states have their work cut out for them when it comes to creating absolute financial security for aging populations.

States were ranked based on eight measures of financial security for future retirees including: percentage of private sector workers participating in a retirement plan at work; average defined contribution account balance; marginal tax rate on pension income; average out-of-pocket expenditures for Medicare patients; average Medicaid spending per elderly patient; percent of older households spending 30 percent or more of income on housing costs; unemployment rate of people 55 and older; and median hourly earnings of workers 55 and older. Rankings were scored both overall and within three key categories on a scale of 1 to 10, with higher scores indicating better performance for the years 2000, 2007 and 2012.

For more information about the national and state scorecards visit [www.nirsonline.org](http://www.nirsonline.org).