Supporting the Oldest Old: The Role of Social Insurance, Pensions and Financial Products

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Abstract

Longevity risk—the risk of outliving one's retirement savings—is probably the greatest risk facing current and future retirees in the United States. As life expectancy increases, government programs, private pensions and various financial products will all be needed to provide retirement income over ever-longer periods of retirement. This article focuses on the optimal mix of social insurance, pensions and financial products that should be used to provide retirement income to the oldest old, here defined as those 90 and older. To be sure, Social Security and Supplemental Security Income (SSI) are already designed to provide modest, inflation-adjusted retirement benefits to all retirees. On the other hand, pensions and other forms of retirement savings are often dissipated long before people reach the esteemed status of oldest old. One approach for enhancing the retirement incomes of the oldest old would be to expand Social Security and SSI. Another approach would be to strengthen the protections provided by pensions and other forms of retirement savings. In particular, the private sector could be encouraged to sell more annuities and other lifetime income products, and, perhaps, the government should also get into the business of selling annuities. These are the kinds of solutions needed to ensure the oldest old face their final years with adequate economic resources.