

OPENING STATEMENT

Senator Susan M. Collins

Special Committee on Aging

“Income Security and the Elderly: Securing Gains Made in the War on Poverty”

March 5, 2014

Mr. Chairman, one of our nation’s greatest achievements has been the dramatic reduction in the poverty rate among the elderly. Fifty years ago, one in three American seniors lived in poverty, a rate higher than that of any other age group. Today, that rate has been cut to one in ten, similar to that of working-age adults, and much lower than that of children.

Despite this achievement, poverty remains a troubling reality for millions of older Americans, who struggle to find the resources they need to meet the basic necessities of life. Today’s hearing will focus on the causes and consequences of senior poverty, and will also give the Committee the opportunity to build on our prior work on the critical issue of retirement security.

Much of the success we have seen in reducing senior poverty in the past half-century is attributable to Social Security, which has made the difference between poverty and an adequate standard of living for countless senior citizens. The importance of this program to low-income retirees cannot be overstated: they receive 85 percent of their income from Social Security alone.

Nationally, one in four retired Americans has no source of income beyond Social Security – in Maine the number is one in three – and four in ten rely on that vital program for 90 percent of their retirement income. By contrast, retirees in the top income quarter receive just 17 percent of their income from Social Security.

After four decades in the workforce, our nation’s seniors should be confident they will have the resources to meet their needs in retirement without fearing they will run out of money and fall into poverty. Yet retirees who rely exclusively on Social Security have a very narrow margin and must watch every penny. Bear in mind that Social Security’s average benefit is only \$1,294 per month – less than \$16,000 per year – just a few thousand dollars more than the official poverty level. Millions of retirees do not even receive this amount.

It is hard to imagine stretching those dollars far enough to pay the bills – certainly putting money away to cover out-of-pocket medical expenses and unexpected emergencies is out of the question. In fact, according to data provided to me by the University of Maine Center on Aging, one in ten older adults in Maine skip meals or modify their diet because of financial concerns, and nearly one in four worry about their household food budget.

Adequate savings can reduce poverty among our seniors during what should be their golden years, but I have heard countless stories of retirees whose savings did not go as far as they anticipated. As we learned in our prior hearing on Retirement Security, elder poverty also increases Medicare and Medicaid costs and strains our social safety net. Giving those not yet at retirement age more opportunities to save, and to save more, may help to reduce poverty among our nation's seniors, while also easing the burden on entitlement programs that already are projected to be unsustainable over time.

I believe that making it easier for smaller businesses to provide access to retirement plans for their workers would make a significant difference in financial security for many Americans. That is why along with Chairman Nelson I authored the Retirement Security Act of 2014. Our bill would encourage small employers to offer retirement plans, encourage employees to save more for retirement, and ensure that low- and middle-income taxpayers are able to claim tax benefits for retirement savings already authorized in law.

As we learned in our prior hearing on Retirement Security, the likelihood that a retiree will face poverty rises with age, and is three times higher for the unmarried elderly than for the married. Today's hearing provides us with the opportunity to learn more about how these and other factors contribute to the risk of poverty among seniors, and what can be done to reduce this risk.

Facing poverty is harsh anywhere at any age, but I find it especially heartbreaking when it is coupled with isolation and loneliness, as it so often is in rural areas. I am particularly pleased to welcome Dixie Shaw, the Director of Hunger and Relief Services for Catholic Charities in Maine, whose office is in my home town of Caribou. Dixie is an extraordinary woman who runs two food banks supplying 25 food pantries that serve over 24 thousand people – one-third of the population of Aroostook County, Maine. Dixie's work gives her a perspective I know will be of great value to us in understanding the special challenges facing seniors in rural areas.

Mr. Chairman, thank you for calling this important hearing. I look forward to hearing from our witnesses.