

If it could be supposed that retirement would be only partial, and retirees could earn substantial amounts after age 65, income prospects would be much improved. But the downward drift of retirement age and the persistence of compulsory retirement plans reflect a shortening of job opportunities for the elderly and this trend is likely to be reversed only in extremely tight labor markets. In any event, there would remain the problem of adequate retirement income for those men who are too old to work and for aged widows. It is important, therefore, to recognize the necessity for relying on retirement income altogether for perhaps a decade of the male's life and a somewhat longer period for the female.

The composition of the aged's incomes has changed markedly during the past 20 years, with earnings coming to be a smaller and pension incomes a much larger proportion of the total. Up to now, private savings have been only a minor source of income for most retirees; in most cases, equity in a home has been the major asset held at the time of retirement. The failure of present retirees to accumulate savings is understandable. Their earnings were low during worklife and periods of unemployment were frequent. Even now, average earnings in some occupations are too low to support a family without the acquisition of debt and the earnings of today's retirees were even lower.

But the earnings of most future retirees—particularly those retiring after 1980, who entered the labor force after the depression of the 1930's—have been increasing steadily. Their capacity for saving will be much greater than that of any previous generation. The important question is whether in fact savings will be accumulated and in what volume. If current consumption absorbs most of their disposable incomes, regardless of income levels, the gap between earnings and retirement income will widen further.

If, on the other hand, the projected rise in earnings is accompanied by a willingness to save for the retirement years, a smoother distribution of income through the life cycle will be achieved. Although it can be demonstrated that higher disposable income has usually been accompanied by increased consumption rather than increased savings, it can also be argued that previous generations of workers have not had sufficiently high and stable incomes to permit lifetime savings of any magnitude. A continuation of present rates of growth, plus an increased awareness of retirement as a life stage, may combine to produce better financial preparation through savings.

Alternatively, an increase in the volume of income transferred from workers to retirees via social security benefits (and through private pensions) would achieve the purpose of evening out lifetime income. Clearly, today's earnings can support a much higher retirement income than the low wages of the past allowed; future earnings, being higher, can carry an even higher tax rate. For the worker, the method by which he "saves" for old age is perhaps less important than the amount saved as a proportion of his earnings. Both private saving for retirement and public transfers to retirees have the effect of reducing the consumption of workers and increasing the consumption of retired persons. The private method has the advantage of allowing a family to do its own lifetime budgeting and saving for old age and the disadvantage of permitting it to do neither.