

PANEL 1: Financial Stress and Economic Security Issues

Moderator: Julie Zissimopoulos, Ph.D., Associate Director, Schaeffer Center for Health Policy and Economics, University of Southern California

Panelists: William Emmons, Chief Economist of the Center for Household Financial Stability, Federal Reserve Bank of St. Louis

Andy Parker, Senior Behavioral Scientist at the RAND Corporation and Professor at the Pardee RAND Graduate School

Alayna Waldrum, Housing Legislative Representative of LeadingAge and Director of LeadingAge DC

Julie Zissimopoulos introduced the panel by noting that the broad subject of financial vulnerability among older adults contains many components, including housing, employment, and cognition.

William Emmons provided an overview of research that he is conducting on the impact that birth year, as opposed to age, has on a person's financial outcomes. Building on existing research, Emmons found that families headed by individuals born in the 1930s through the mid-1940s accumulated more wealth than families headed by individuals born any time before or after. He hypothesized that the birth rate at the time someone is born, which was low during the Great Depression and elevated during the baby boom era, may be a major factor in lifetime wealth accumulation. Emmons noted that these findings suggest that financial stress among older adults will become even more troubling as the relatively less-wealthy baby-boom generation reaches retirement.

Alayna Waldrum outlined key concerns about housing options for older adults. According to Waldrum, the long-term care system is vastly more complicated than is commonly understood. While active senior housing, supportive senior housing, and assisted living/nursing homes are widely known, there are many other options in between, each differing on multiple dimensions, including level of care, location, insurance coverage, and regulatory requirements. Waldrum observed that while increased life expectancies will drive growing demand for long-term care, existing models for financing care have proven inadequate for many older adults. To help reduce costs and expand access to care, Waldrum suggested pursuing innovative approaches, including home- and community-based services.

Andy Parker described how aging affects individuals' cognitive abilities and decisionmaking processes. According to Parker, fluid cognition deals with an individual's ability to think logically and make decisions in unfamiliar situations. Crystallized cognition, on the other hand, reflects one's knowledge and experience gained over time. In his research, Parker found that older adults are more likely to avoid the sunk-cost fallacy (i.e., "chasing good money after bad"), perhaps in evidence of their crystallized cognition. However, he also found that older adults are more likely to struggle when comparing a variety of unfamiliar financial products and choosing among them, perhaps as a manifestation of declining fluid cognition. Parker concluded that in such situations, support systems for decisionmaking, such as counseling or choice limitations, may be critical protections for older consumers.

Zissimopoulos concluded the panel by reviewing her research on labor force trends among older workers. Starting around 1990 and continuing until 2010, labor force participation rates increased for both men and women age 65 and older. These trends are likely due, in part, to increasing levels of education (for women in particular), technology, and increased life spans. However, Zissimopoulos noted that while many older workers are delaying retirement, either by choice or by necessity, they may face challenges related to skill mismatches, ineffective job search techniques, discrimination, and other issues. Despite these concerns, delaying retirement can be an important financial strategy for many older workers who could benefit from increased savings and the need to fund a shorter retirement period.