

# Mike Bloomberg's Retirement Security Policy

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As one of the world's wealthiest nations, America should be able to take care of its elderly. Yet more than 10 million people aged 65 or older [struggle](#) to meet basic monthly expenses such as health care, food and rent.<sup>1</sup> Social Security and Medicare, for all their successes, fall short of ensuring a comfortable old age. And the U.S. has never properly considered how to design a comprehensive system to help people set aside what's needed to make up the difference. As a result, millions more retirees will face the prospect of financial stress and even poverty.

The Trump administration has done nothing to address this fundamental financial insecurity. On the contrary, President Trump has [suggested](#) that he is open to cutting Social Security, Medicare and Medicaid.<sup>2</sup> **As president, Mike will strengthen entitlement programs and supplement the private retirement savings system to ensure that no American senior has to live in the shadow of financial peril.**

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## 1. Strengthen and improve Social Security.

Social Security is under demographic pressure and needs shoring up for the long-term, but it faces no imminent crisis. Payroll taxes, along with the Social Security fund's special reserves, will be able to pay out full benefits until [2035](#).<sup>3</sup> Even after that time, 75% of Social Security benefits will still be covered by payroll taxes. As president, Mike will explore ways to put the system on sound financial footing for the long-term.

- **Consider options for preserving and strengthening Social Security's long-term finances, while maintaining and enhancing benefits for the neediest recipients.**
- **Introduce a more effective minimum benefit to prevent low-income seniors from falling into poverty.** A means-tested minimum benefit called Supplemental Security Income (SSI) that currently operates alongside Social Security is ineffective. Eligibility is complicated and take-up is low. Even when it's paid, it can leave retirees who have a history of low-wage employment [below the poverty line](#).<sup>4</sup> Mike will implement a new minimum benefit that would help roughly 10% of current recipients.
- **Raise future benefits by adjusting cost-of-living allowances to account for higher inflation for seniors.** The elderly's living costs – especially for health care – tend to rise faster than overall inflation. Mike will adjust the COLA to take account of this.
- **Examine options for addressing other weaknesses in the benefits system.** Social Security benefits fall short in other ways. Family caregivers have lower wages and therefore get smaller benefits. Also, surviving spouses may lose 50% of household income without a commensurate

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<sup>1</sup> UMass Boston, [Living Below the Line](#), November 2019

<sup>2</sup> Los Angeles Times, [Trump opens door to Social Security cuts](#), January 2020

<sup>3</sup> Center on Budget and Policy Priorities, [What the 2019 Trustees' Report Shows About Social Security](#), June 2019

<sup>4</sup> Urban Institute, [A Targeted Minimum Benefit Plan](#), April 2018

drop in living costs. Mike will examine other options for addressing these issues, as part of a broader reform to preserve and strengthen Social Security.

## 2. Enhance Medicare and Medicaid.

Medicare and Medicaid are vital public programs, but they fall short of what's required. Costs for some beneficiaries are too high, some services that ought to be covered aren't, and insurance against the costs of long-term care is inadequate. Mike will address these weaknesses.

- **Limit out-of-pocket drug costs.** Medicare beneficiaries have no out-of-pocket spending limit on drugs. Additionally, Medicare's drug benefit incentivizes high prices because the government pays most of the costs after a patient reaches the "catastrophic threshold." Mike will cap Medicare beneficiaries' out-of-pocket drug spending at \$2,000 annually. His plan will [redesign the benefits](#) so insurers and drug companies have more liability above the "catastrophic threshold." Brand-name and biosimilar drug manufacturers would be required to pay a 30% discount, 50% would be paid by the plan and 20% by Medicare after the beneficiary reaches the catastrophic phase.
- **Extend coverage to dental and other services.** Medicare does not cover routine dental, vision or hearing checkups or care. It does pay for hospital services for patients with dental, vision and hearing problems. Mike will expand access to preventive dental, vision and hearing care for older Americans by adding an additional supplemental Medicare benefit, similar to the drug benefit, to cover those services. Beneficiaries would pay a separate premium (roughly [\\$256](#)). As with Medicare drug insurance, low-income beneficiaries would receive premium subsidies.
- **Develop a new federal safety-net to insure against catastrophic costs of long-term care.** Medicare and Medicaid provide weak support for the costs of long-term care. The private insurance market, undermined by adverse selection and other factors, has all but withdrawn from the business. Mike will develop a federal safety net to insure against catastrophic long-term care costs.
  - Mike will also work with states to develop flexible new programs to deliver support services to those needing long-term care at home.

## 3. Support financial security for the elderly.

About two fifths of U.S. workers – more than 50 million people – have no access to a retirement savings plan such as a 401(k), and those who do often either don't [contribute](#)<sup>7</sup> or lose money to high fees and bad decisions. An estimated [half](#)<sup>8</sup> of all workers risk falling short of the money they'll need to retire comfortably. The added burden on welfare programs such as Medicaid, food stamps and Supplemental Security Income threatens to [overwhelm](#)<sup>9</sup> state budgets across the country. And most of the benefits of

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<sup>5</sup> MedPac, [Report to the Congress: Medicare and the Health Care Delivery System](#), June 2016

<sup>6</sup> The Commonwealth Fund, [How Medicare Could Provide Dental, Vision, and Hearing Care for Beneficiaries](#), January 2018

<sup>7</sup> Bureau of Labor Statistics, [Retirement benefits](#), March 2019

<sup>8</sup> Center for Retirement Research at Boston College, [National Retirement Risk Index Shows Modest Improvement in 2016](#), January 2018

<sup>9</sup> AARP, [Retiring Poor in New Jersey](#), March 2016

tax breaks for retirement savings go to [wealthier savers](#).<sup>10</sup> Mike will better prepare American workers for retirement and direct federal subsidies to those who need them most.

- **Encourage saving for retirement and supplement low incomes of those who work beyond normal retirement age.** Mike will create a public-option retirement savings plan, with automatic employer and employee contributions for all income earners who do not participate in a defined contribution or benefit plan at work. His plan will provide a government match for lower-income workers, paid for by a reduction in the tax break for high-income retirement-plan contributions. The plan will also:
  - Automatically invest savings in an appropriate target-date fund and provide savers with prudent alternatives, modeled on the Thrift Savings Plan for government workers.
  - Automatically enroll savers in a low-cost, inflation-indexed annuity at retirement age.
  - Allow savers to consolidate all of their retirement savings in one public-option account.
  - Designate a small part of the accounts as an emergency fund, which savers can tap without penalty to meet short-term needs.
  
- **Ensure strong government oversight of reverse mortgages and other deferred-payment loans to prevent predatory practices.** The equity people have in their homes is often their largest asset when they reach [retirement age](#)<sup>11</sup>, but they rarely tap it to supplement income in [retirement](#).<sup>12</sup> The available financial products allowing them to do so are expensive and unappealing. What’s worse, seniors in distress can fall victim to unscrupulous actors. Mike will support seniors who choose to use their home equity to achieve a secure retirement and meet unexpected costs, while ensuring their costs are low and their interests are fully protected.
  - Mike will encourage the development of simpler and less costly products.
  - Mike will provide strong advisory services to improve financial literacy pre-retirement and help financially stressed seniors explore their options.
  - Mike will ensure the government subsidizes loans for qualifying low-income seniors.
  - Mike will promote state programs allowing low-income seniors to defer property taxes on their homes, leaving them with more income to live on.
  
- **Restore the Labor Department’s fiduciary duty rule, requiring brokers and insurance agents to put their clients’ interests first.** Financial advisers who work on commission sometimes prey on elderly customers, steering them into expensive funds and annuities and away from better alternatives. Estimates say the [extra fees](#)<sup>13</sup> add up to [billions of dollars](#)<sup>14</sup> a year. The Labor Department issued a rule to protect investors by requiring such advisers to disclose conflicts, and requiring them to put clients’ interests first. The Trump administration has reversed the rule. Mike will protect elderly investors from conflicted financial advice and improve the financial position of retirees.

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<sup>10</sup> Tax Policy Center, [Key Elements of the U.S. Tax System](#), 2014

<sup>11</sup> Center for Retirement Research at Boston College, [Are Homeownership Patterns Stable Enough to Tap Home Equity?](#) January 2020

<sup>12</sup> Center for Retirement Research at Boston College, [Is Home Equity an Underutilized Retirement Asset](#), March 2017

<sup>13</sup> Chalmers and Reuter, [Is Conflicted Investment Advice Better than No Advice?](#) March 2015

<sup>14</sup> White House, [The Effects of Conflicted Investment Advice on Retirement Savings](#), February 2015

- **Aid family caregivers.** Family caregivers aren't supported by the Earned Income Tax Credit because their work is unpaid. Mike will pilot programs to cover family caregiving and other unpaid employment.
  - **Raise the EITC age cap.** The EITC isn't paid to workers aged 65 and over, unless they have [dependent children](#)<sup>15</sup>. This change, combined with Mike's proposal to raise payments for workers without qualifying children, would give substantial new support to elderly workers.
  - **Raise the federal minimum wage in stages to \$15 an hour by 2025 and index it to earnings.** The federal minimum wage is \$7.25 an hour and hasn't been raised for 10 years. Twenty-nine states have now set a higher minimum wage than the federal minimum.
4. **Improve housing security for the elderly.** Elderly renters are at high risk of housing insecurity. About half of all renters over 65 are [cost burdened](#),<sup>16</sup> which means they pay more than 30% of their income on housing. About 30% are severely burdened, paying more than half of their income on housing. Severely cost-burdened households spend much less on food and health care than otherwise similar households. Elderly renters with no assets are especially at risk of eviction. Mike will deliver housing assistance promptly to the neediest seniors.
- **Expand rental assistance.** As part of his affordable housing plan, Mike will make housing assistance an entitlement for households making up to 30% of Area Median Income (AMI).
    - Mike will provide federal funding for cities to provide emergency financial assistance.
    - Mike will establish navigator services that help tenants find housing, fill out applications and access additional information on benefits and housing services.
  - **Support upgrades that let seniors stay in their homes and lower federal spending on costly nursing facilities.** Housing costs for seniors living at home are [one-fifth](#)<sup>17</sup> the costs for seniors living in nursing homes. Programs such as CAPABLE provide seniors with accessible home retrofitting and in-home medical care through Medicaid. Their program shows better health outcomes at a [cheaper cost](#),<sup>18</sup> but is only currently available in 16 states. Mike will provide funding to retrofit housing for seniors and disabled Americans so that they can safely remain in their homes. Specifically, he will finance CAPABLE for seniors in all 50 states.

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<sup>15</sup>IRS, [EITC eligibility](#)

<sup>16</sup> Joint Center for Housing Studies of Harvard University, [Housing America's Older Adults](#), 2014

<sup>17</sup> HUD, [Evidence Matters](#), Fall 2013

<sup>18</sup> Johns Hopkins Medicine, [Community Aging in Place-Advancing Better Living for Elders](#)