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Rainy Days Don't Retire

Older Adults, Financial Shocks, and the Promise of Emergency Savings Tools

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Introduction

As life expectancy in the U.S. increases, older adults will comprise a larger share of the population than ever before.[1] At the same time, older adults will play an increasingly important role in the U.S. economy. Their contributions through consumption, labor, and unpaid activities—such as providing care to others and volunteering—is expected to grow to over $27 trillion by 2050, more than triple their contribution in 2018.[2] For older adults—and America—to thrive amid this transition, it will be vital to ensure their financial stability, the foundation all people need to overcome financial hardships, pursue opportunities, and grow wealth.[3] Our analysis finds that nearly half of older adults don't have the liquid savings they need to be protected from financial shocks. Fortunately, to fulfill their unmet need for savings, there is a significant opportunity—both at and outside the workplace—for a new generation of emergency savings tools to support older adults' financial stability.

We may get the impression that financial stability is guaranteed or within easy reach for older adults because of programs like Medicare and Social Security, along with the retirement savings that many—but not all—have amassed. But older adults' financial lives are more complex than that picture allows. In recent years, the rising cost of necessities like prescription drugs and housing has coincided with an increase in the mortgage, credit card, and student loan debt older adults carry.[4] Older adults are also more likely than younger generations to cite inflation as a drain on their emergency savings.[5] And, just like their younger counterparts, older adults struggle to be resilient when faced with financial shocks like a sudden loss of income, an emergency repair, or an uncovered medical expense.[6] In addition to these shocks, older adults can experience specific—and often significant—financial consequences of life events associated with aging that frequently come with recurring costs, such as higher medical expenses, the onset of a disability, or long-term care, which can undermine their financial well-being.[7,8]

> *Nearly half of older adults don't have the liquid savings they need to be protected from financial shocks.*

According to the Consumer Financial Protection Bureau, having liquid savings is the single factor that is most highly correlated with financial well-being.[9] The JPMorgan Chase Institute has found that roughly six weeks of income in liquid savings—easily accessible funds that can be accumulated, used, and replenished to cover immediate expenses—is needed to weather a simultaneous income dip and expense spike.[10,11] And multiple studies show that having access to liquid savings—especially savings that automatically replenish after use—helps people avoid the costly penalties that might come from withdrawing from retirement plans prematurely, or from drawing on high-cost sources of debt, like credit cards and high-interest loans.[12,13,14,15] Yet, 47 percent of older adults ages 55 and above don't have six weeks of income in liquid savings, according to an Aspen Institute Financial Security Program analysis of 2022 data from the U.S. Federal Reserve.[16]

Although our growing understanding of the essential nature of liquid savings has sparked a wave of innovative emergency savings tools, the unique requirements and distribution channels that would benefit older adults have largely been ignored. These tools have the potential to significantly improve older adults' financial resilience because they use design principles informed by behavioral science that make it easy to build, use, and replenish emergency savings.[17,18]

How can we direct the momentum for emergency savings tools toward supporting older adults? Understanding the unique features of older adults' financial lives is an essential starting point to uncovering opportunities for innovative tools to help them build and use liquid savings. With this knowledge, providers can meet older adults' needs by tailoring solutions according to how they earn, work, save, and spend. For example, our analysis below shows that older adults occupy a wide spectrum of labor force attachment and draw on both labor income and diverse sources of non-labor income—revealing ample opportunities for designing solutions across various contexts.

Motivated by the potential of emergency savings solutions to play a transformative role in the financial well-being of people in the United States, this brief examines the unique opportunities to enable the next generation of tools and products designed for older adults. To be clear, the solutions we explore in this brief are designed with more common financial shocks in mind, as opposed to significant, ongoing expenses like long-term care. We will explore the following questions:

- What do we know about the unmet need for liquid savings and older adults, their employment, and the income streams they could draw from to build and replenish savings?;
- How do older adults seek to build emergency savings today with available financial tools?; and
- Given many older adults' dynamic and unique mix of income streams, where are there unexplored opportunities to build next-generation emergency savings tools to meet their needs?

What's in this Report

A Snapshot of Emergency Savings, Employment, and Sources of Income Among Older Adults

We take a first step at filling the gap in knowledge about how emergency savings tools could benefit older adults through an analysis of 2022 data from the U.S. Federal Reserve.[19] Focusing on savings, employment, and income, our data snapshot highlights three main findings:

- → **Nearly half of all older adults** (47 percent) lack the savings they need for emergencies.
- → **As people get older, they increasingly exit the labor force or work part time**, indicating that a multi-channel approach to solutions that can benefit full-time employees, part-time employees, and people out of the labor force is particularly important for older adults.
- → **As older adults age, they increasingly draw from non-labor sources of income**, showing a variety of income streams that emergency savings tools can draw from.

Methodological Note

This data snapshot draws from the 2022 Survey of Consumer Finances (SCF) to provide a descriptive analysis of the savings, employment, and income patterns of older adults. To understand important differences in older adult outcomes at different stages of their financial lives, we also share findings by four age groups with distinct trends in labor force participation as observed in the SCF. We start these age groups at 55 because from that age onward, there is sustained decline in labor force participation.

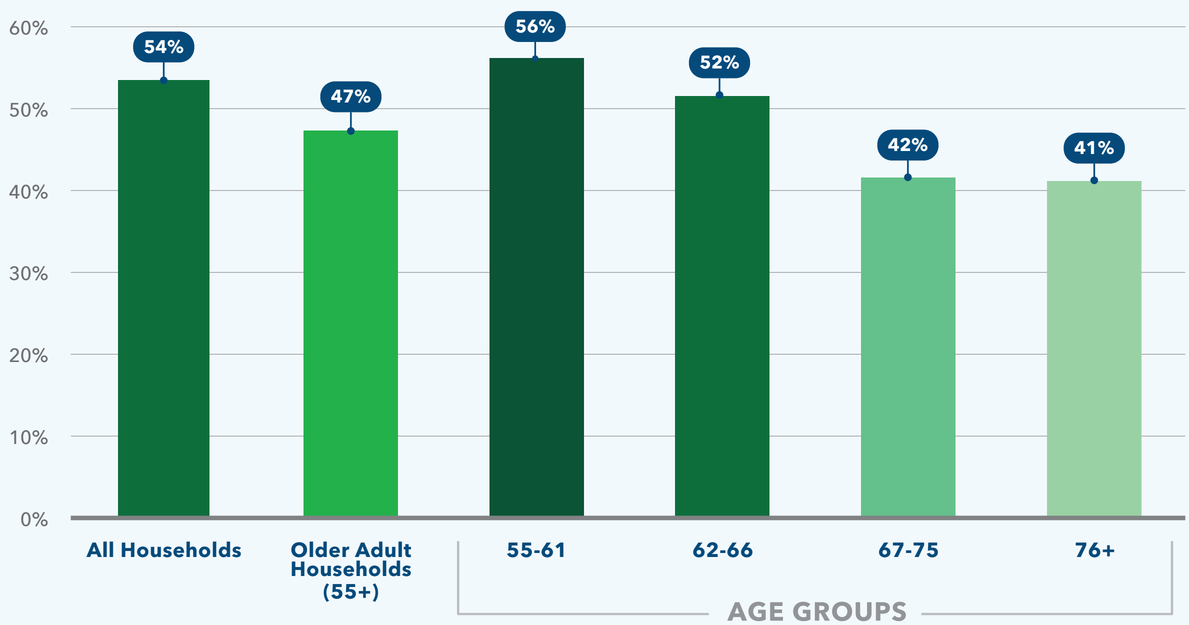
For full details on the methodology of how the findings in this data profile were calculated, see the Technical Appendix.

Too Many Older Adults Lack the Emergency Savings to Withstand a Financial Shock

Figure 1 shows that about 47 percent of all older adult households (55 and older) do not have at least six weeks of income in liquid savings, leaving them vulnerable to a simultaneous income dip and expense spike.[20] Insufficient liquid savings is even more likely among the 55-61 (56 percent) and 62-66 (52 percent) age groups. While households in the 67-75 and 76+ age groups are more likely to have sufficient liquid savings, more than 40 percent still do not have enough to weather a financial shock.

Figure 1. Many Older Adults Are Vulnerable to a Financial Shock

Households with less than six weeks of income in liquid savings by age group, 2022



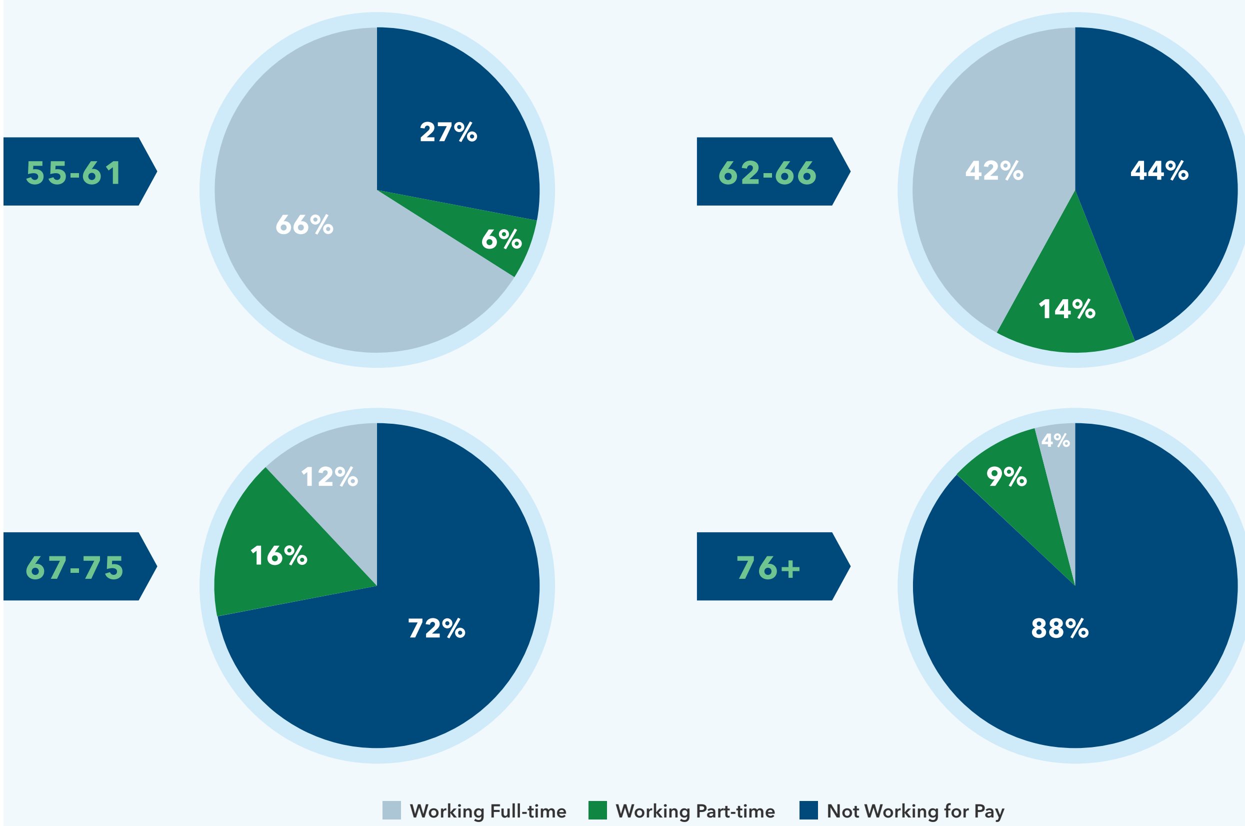
Source: *Aspen FSP Analysis of 2022 Survey of Consumer Finances.*

Older Adults Experience a Variety of Employment Situations, Showing the Need for Multi-Channel Solutions

Figure 2 shows that while many older adult households work full time, they increasingly work part time or exit the labor force as they age. This wide spectrum of employment circumstances indicates that tailoring solutions to job status is especially important for older adults. For the significant share working full time who are more likely to be offered a suite of benefits such as a retirement plan, emergency savings tools can be provided through the channel of an employee benefit.[21] Part-time workers, however, are less likely to receive benefits and might need tools from outside the workplace.[22] Older adults who exit the labor force can benefit from solutions outside of work that build savings using non-labor income streams, which we show in Figure 3.

Figure 2. Many Older Adults Work Full Time, But More Work Part Time or Exit the Labor Force as They Age

Employment status of older adult households by age group, 2022



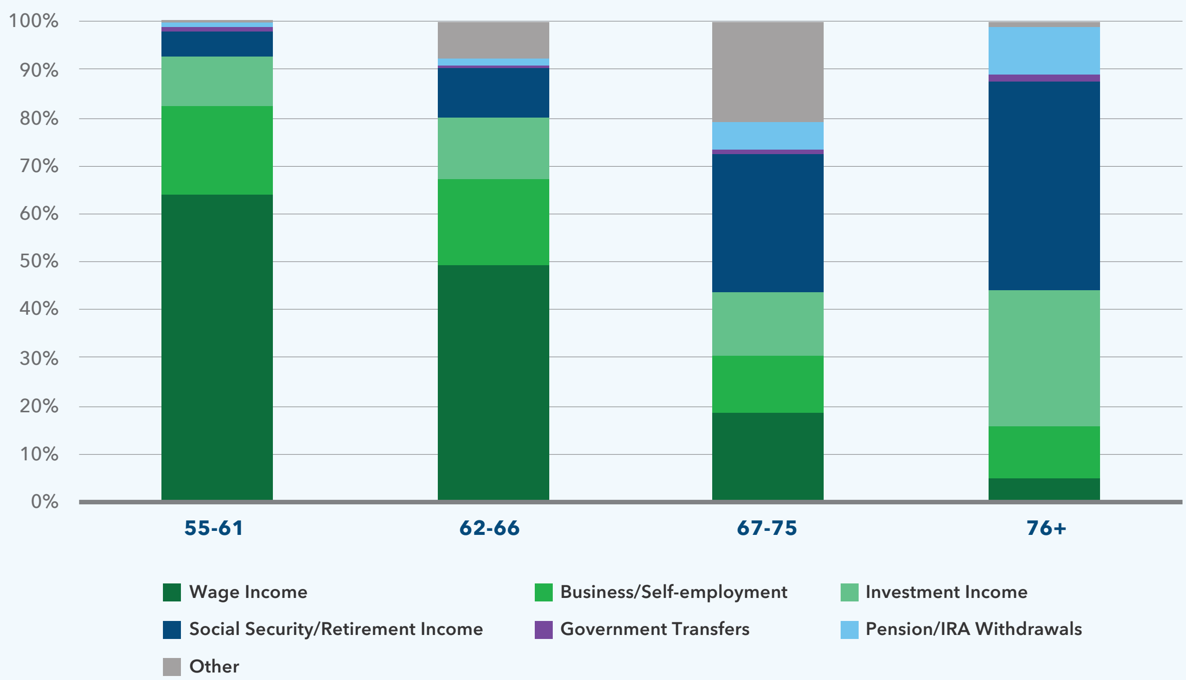
Source: *Aspen FSP Analysis of 2022 Survey of Consumer Finances.*

Older Adults' Sources of Income Change Significantly as They Age

Figure 3 shows that while many older adults earn labor income, at higher ages they draw mostly from various non-labor income sources, such as Social Security, investment income, and withdrawals from pensions or individual retirement accounts (IRAs).[23] While non-labor income sources can compensate older adults who no longer earn wages, they are not necessarily enough to replace wage income without cash flow from savings.[24] To meet the liquidity needs of older adults, solutions can also look to non-labor income streams—such as Social Security or income generated from savings, pensions, or annuities—as a source of automatic liquid savings. Importantly, these sources will have to provide enough income to build a substantial emergency savings fund, and not all older adults may be earning the amount they need to make regular deposits.

Figure 3. As People Age, Their Income Streams Change

Composition of aggregate income by income source, all older adult households by age group, 2021



Source: *Aspen FSP Analysis of 2022 Survey of Consumer Finances. While the survey was conducted in 2022, income questions refer to the 2021 calendar year. "Other" includes income from sources such as support from relatives, inheritance, tax refunds, subsidies, fees, settlements, and prize money among other sources.*

In the following sections, we provide an overview of the tools older adults currently use to build emergency savings and offer priorities for advancing innovation to better serve older adults.

What We Know About How Older Adults Are Building Liquid Savings Today

Like most people in America, older adults generally do not have access to emerging, next-generation emergency savings tools that meet the design principles for optimal protection against shocks. Some older adults successfully establish a separate emergency savings "bucket" on their own: According to a 2022 Bipartisan Policy Center survey, 34 percent of employed Baby Boomers (born between 1946 and 1965) report having an emergency savings account that is separate from their primary bank account.[25] Publicly available data do not reveal how those emergency savings accounts are funded, nor whether contributions are recurring.

There is a strong case for helping older adults save for emergencies by expanding the use of tools with best-in-class design principles. A key principle that makes these tools effective is automatic enrollment funded via paycheck deduction. Workplace retirement savings plans and the emerging field of workplace emergency savings accounts, have demonstrated that this approach is a powerful way to increase savings, including for workers with lower incomes. In one study, 45 percent of newly hired workers participated in a 401(k) plan when doing so required opting in, but 86 percent did so when enrollment was automatic. For workers making less than $30,000, the difference in participation rates was even larger: 25 percent when workers had to opt in and more than triple that, 77 percent, when they were automatically enrolled.[26]

Behavioral research also reinforces that effective liquid savings accounts are designed to be cyclical: Liquid savings are most easily and successfully amassed via automatic contributions from an ongoing stream of income, like a paycheck, making the process of saving automatic once people are enrolled. The savings are best kept in their own designated "bucket" for the purposes of mental accounting and to offer principal protection so the funds will be there when an employee needs them, as well as to guarantee FDIC or similar insurance. A well-designed, purpose-built emergency savings account also provides immediate access to funds in the case of an emergency, and it refills automatically—as the default setting is for contributions to continue even as funds are withdrawn.[27] Importantly, the saver can always opt out of contributing.

Without a dedicated emergency savings account, older adults may resort to using other tools to respond to financial shocks and potentially experience negative consequences for doing so. Examples of these tools include checking accounts, tax-advantaged retirement savings, home equity, the sale of personal property, credit, or the support of family and friends who lend or transfer money.[28] While these other sources of liquidity can help people in an emergency, they carry additional risks that can be avoided with a dedicated emergency savings account. These risks can include the loss of physical assets, fees, unexpected tax bills, increased debt payments, additional interest costs, or lost investment growth. Accessing other liquidity sources also often means waiting days, weeks, or even months to access or receive funds. People seldom have that long because delaying expenses—such as rent, food, bills, debt payments and sudden medical costs—can lead to hardship, fees, and additional debt.[29]

Older adults can also purchase insurance policies to cover specific expenses, like medical expenses not covered by primary health insurance, dental costs, home repairs, car repairs, lost or stolen property, or the funerals of family members, among others. However, there are significant coverage gaps in many important types of insurance: in 2017, only 29 percent of adults over 65 had dental insurance, and in 2023, only 36 percent of adults over 58 had life insurance.[30 31] Insurance policies can also take months to reimburse, even when an expense is covered.[32 33]

The table below illustrates the potential negative consequences of relying on commonly used sources of liquidity that, unlike a traditional savings account or next-generation emergency savings account, are not optimally designed for use in a financial emergency.

Table 1. Common Sources of Liquidity and Their Potential Negative Consequences When Used for Emergencies

Source of Liquidity	Potential Negative Consequences When Used for Emergencies
Checking Account	• Spending funds earmarked for other purposes, like monthly bills • Potential overdraft fees if withdrawal exceeds funds available
Consumer Credit • Credit card • Personal loan • Payday loan • Buy Now, Pay Later	• Increase in household debt • Increase in monthly debt service • High interest costs • Decreased credit score
Retirement Savings • 401(k), 403(b), or other workplace retirement savings plan • Traditional IRA • Roth IRA • Taxable account	• 10% penalty fee on certain withdrawals from pre-tax accounts before age 59½ • Income taxes on withdrawals from a pre-tax account • Loss of future investment growth if funds are not replaced • Less funds available for later use
Home Equity • Home equity loan • Home equity line of credit	• Increase in household debt • Increase in monthly debt service • Interest costs • Fees
Sale of Physical Property	• Loss of financially or emotionally valuable asset or item
Family and Friends • Informal loan • Person-to-person cash transfer	• Those providing financial support lose funds they may need for other financial priorities • Complicate interpersonal relationships

These accounts and tools have not been optimally designed to meet emergency savings needs, but they may possess other design features that attempt to meet unique financial needs of older adults. Some checking accounts are specifically designed for older customers, with perks such as waived monthly fees with either payroll or government benefit direct deposit, unlimited check writing, and low balance minimums. Examples of these accounts include traditional financial institution products like LifeGreen Checking from Regions Bank and 60 Plus Checking from TD Bank, as well as fintech solutions like Charlie Financial.[34 35 36]

While some of these features may be as much about marketing as meeting needs, many of these financial institutions have invested in special security features to help prevent elder financial fraud. In 2022, financial fraud resulted in $3.1 billion in losses for adults over 60.[37 38] Charlie Financial account holders have access to "FraudShield," a collection of account settings and notifications designed to quickly catch fraud, and free Norton LifeLock, which guards against identity theft. This holistic approach to product design for older adults is worth learning from, and possibly replicating, in the nascent world of purpose-built emergency savings tools.

It is important to note that many households with lower incomes are challenged to save by asset limit requirements that are often associated with eligibility for public benefit programs like Medicaid, the Supplemental Nutrition Assistance Program, Supplemental Security Income, and Temporary Assistance for Needy Families. Participants can face savings limits as low as $1,000 in order to maintain benefit program eligibility. Research shows that these asset limits do, in fact, restrict savings rates and discourage people from opening and using important financial tools in support of that savings.[39] Removing asset limit requirements would benefit the millions of older adults with low incomes who are discouraged from saving to stay eligible for Medicaid or Supplemental Security Income.[40 41]

Multiple Sources of Income Create Opportunities for Automatic Enrollment into Emergency Savings Accounts

Workplace savings are successful when enrollment is automatic and when these accounts are continually funded from an employee's paycheck. As Figure 3 demonstrates, as adults age, their sources of income diversify, shifting from primarily labor income, to a combination of labor and Social Security income, and finally to a blend of labor income, Social Security, and withdrawals from savings and investments. These three distinct categories of income offer three different opportunities for "automatic enrollment" of older adults into emergency savings tools, and innovation in all three categories will be essential to meet older adults where they are as they detach from the labor market and as their financial lives change over time.

For each income source, there is an opportunity for automatic emergency savings to be initiated by either the originator or the receiver of that income. For example, originators of labor income—such as employers, payroll providers, or a contracted benefits vendor—could automatically retain a small portion of their regular payment to the older adult recipient, putting those funds into a purpose-built emergency savings account. In the case of non-labor income, originators of retirement account withdrawals, such as a financial advisor or recordkeeper, could automatically set aside a portion of those withdrawals in an emergency savings account. Alternatively, the entity receiving that income—usually a financial institution like a bank, credit union, or fintech—could also automatically divert a small portion of the regular deposit into a separate, purpose-built emergency savings account. Automatic emergency savings drawn from Social Security income would most likely be operationalized on the receiver end, with receiving financial institutions potentially adding a "Social Security sidecar" to older adults' primary checking accounts to help them easily build liquid savings.

There are already glimmers of emergency savings innovation when it comes to pension and IRA withdrawals and investment income, creating opportunities for stakeholders such as financial advisors to support their clients in building liquid savings even as they focus on the best approaches to spending savings. Approximately 40 percent of older adults aged 50 and above have used a financial professional to help plan for retirement, supporting the notion that financial advisors have an important role in offering emergency savings tools.[42] An example is Retirable, an early-stage company geared toward "mass market" Americans nearing or in retirement. As part of its service to help older adult clients with modest assets turn those savings into cash flow, Retirable pairs "safe-to-spend" guidance with specific advice on strategies to build emergency savings automatically without a noticeable impact on cash flow. Notably, Retirable also provides protection from digital scams, fraud, and ID theft.[43 44]

Not all older adults have access to all three streams of income, and not all older adults have sufficient cash flow to support emergency savings. With 57 million workers lacking access to retirement savings in the workplace and millions more living off lower Social Security payments due to low wages earned during their working years, we must creatively explore all possible avenues for creating and funding accounts, as well as innovative methods of supporting the lowest-income older adults as they pursue financial stability.[45]

The Emerging Opportunity of Workplace Emergency Savings Accounts for Employed Older Adults

Today, 43 percent of older adult households aged 55 and above participate in the labor force, making the workplace a meaningful channel in which to provide older adults with emergency savings accounts.[46] Figure 2 above demonstrates that this is particularly true for households in the 55-61 and 62-66 age groups, of whom 72 percent and 56 percent are in the labor force, respectively. These numbers will likely rise, as an increasing share of older adults are expected to stay longer in the workforce than workers from previous generations. The number of older adults aged 65 and above in the labor force has increased fourfold since the 1980s, and they are projected to account for 57 percent of labor force growth by 2032.[47]

In recent years, the momentum for workplace emergency savings accounts has grown rapidly. Leading employers in the U.S. are beginning to implement workplace emergency savings solutions, with major companies like Starbucks, Humana, UPS, Voya, Delta, and ADP reaching millions of workers with this new benefit.[48] [49] [50] [51] While this is an emerging field with little evidence on older adults, the available research is promising: A study from Nest Insight on a workplace emergency savings program with automatic enrollment in the UK found that users aged 51 and over saved at similar rates as younger colleagues in one trial, suggesting that older workers could equally benefit.[52]

"The number of older adults aged 65 and above in the labor force has increased fourfold since the 1980s, and they are projected to account for 57 percent of labor force growth by 2032."

These new workplace emergency savings accounts are provided under two key structures: "in-plan" and "out-of-plan." In-plan emergency savings accounts are housed within an existing retirement savings plan, while out-of-plan emergency savings accounts are kept separate. Anecdotally, most of the growth to date in the workplace emergency savings field has been with out-of-plan solutions offered by companies like Sunny Day Fund and SecureSave.[53] [54] [55]

Currently, only in-plan emergency savings accounts enjoy the regulatory clarity required to automatically enroll workers into their account. The SECURE 2.0 Act of 2022 provided that clarity for qualified retirement plans meeting the guidelines of the Employee Retirement Income Security Act (ERISA), and beginning in 2024, employers are able to automatically enroll workers into in-plan emergency savings.[56]

Out-of-plan emergency savings options are particularly appealing to employers that do not offer a retirement savings plan, restrict eligibility for retirement plan participation to full-time workers, or find that lower wage workers are underutilizing an existing plan. Out-of-plan emergency savings options may also be attractive to employers seeking simplicity in their benefits offerings. Where employers have implemented them, voluntary out-of-plan workplace emergency savings programs have led to solid uptake across demographic groups. Enabling automatic enrollment for out-of-plan emergency savings solutions would create an even larger benefit for lower-wage workers and those who do not have access to a retirement savings plan at work.[57] Because out-of-plan solutions do not fall under ERISA, additional legislative and regulatory work is required to enable automatic enrollment in this kind of account.

Employer-based emergency savings tools are still emerging, and we have a great deal to learn about the best ways to help older adults fully benefit from them. As of 2022, only 10 percent of employers offered emergency savings benefits, but that number is rising rapidly.[58] A 2022 Bipartisan Policy Center survey found that just 9 percent of Baby Boomers said their employer offers an emergency savings fund, and almost none said they saved in any employer-provided emergency savings account—the lowest of any age group.[59] The survey also found a large gap in knowledge: Nearly 30 percent of Baby Boomers didn't know if they would want their employer to provide an emergency savings fund.[60] While this is likely to change as workplace emergency savings programs become more widespread, we must pay attention to the particular education, communication, and engagement approaches that will maximize older adults' ability to benefit from workplace emergency savings.

As we support the development of workplace emergency savings tools for older adults, we should also pay close attention to the rapid growth of another workplace-based liquidity solution: earned wage access (EWA). EWA tools offer employees the ability to receive some or all of their wages prior to payday, sometimes at no cost and sometimes for a fee. According to researchers at Harvard University, the reported user base of EWA tools could be as high as 14 million workers.[61] A growing body of evidence suggests that these tools can be effective in preventing the use of high-cost credit for some workers,[62] but more research is required to understand the long-term financial security effects of consistent use of EWA tools. Given that EWA allows access to some or all of a single paycheck, these tools could support workers in meeting a smaller expense but will likely not be an optimal solution for covering more costly financial emergencies.

What We Still Need to Know About What Works for Older Adults and Emergency Savings

As more emergency savings tools are introduced both inside and outside of the workplace, providers will have an opportunity to collect data that can answer important questions to accelerate the development of effective solutions for older adults. High-priority knowledge needs include:

- **Updated research** showing the types, frequency, and magnitude of financial shocks faced by older adults.
- **Clearer understanding** of how older adults' lives are shaped by their financial priorities and what constraints they may face in saving.
- **Better data** on the uptake and usage of emergency savings accounts—including contributions and withdrawals—to describe variations by age, race, gender, income level, and product type, and what that means for both product and policy innovation.
- **More delineation** of additional features older adults might need to best accommodate their unique financial needs (e.g., accessibility features or financial fraud protection).

Our work to understand the drivers and dimensions of older adults' lack of emergency savings has revealed the insufficiency of our shared knowledge base about the complex, rich financial lives older adults lead. Our shared ability to design both product and policy to fully support older adults' financial security as they age—and in all the different ways they age—would be greatly enhanced by an analysis of older adults' financial lives that marries transactional-level detail with qualitative insights. A refreshed portrait of the financial lives of older adults might have the positive effect of dispelling some of the myths that might be keeping us from the impactful solutions for financial well-being that older adults deserve.

Looking Forward: Priorities to Accelerate Innovation

To accelerate older adults' adoption of purpose-built emergency savings tools in and out of the workplace, policymakers and financial services providers should prioritize:

1

Scale and automate all forms of emergency savings at work for older adults. Employers, recordkeepers, and emergency savings providers can play an important role in addressing older adults' emergency savings needs by making in-plan and out-of-plan solutions available at work. Despite the opportunity created by provisions in the SECURE 2.0 Act of 2022 that allow automatic enrollment into in-plan emergency savings tools at work, there is no national legal framework that would allow employers to automatically enroll workers into out-of-plan tools. Policymakers can accelerate employer adoption and increase employee uptake across all age groups by enabling automatic enrollment for out-of-plan workplace emergency savings accounts.

2

Experiment with automatic enrollment into emergency savings from non-labor sources of income. As older adults add to—and ultimately replace—their labor income with Social Security income and income from pensions and retirement savings, a broad set of providers has an opportunity to offer purpose-built, automatic emergency savings tools. For example, income originators like financial advisors, recordkeepers, or annuity providers can automatically retain small portions of each payment into an emergency savings "pocket." Likewise, income receivers like banks, credit unions, and fintechs can automatically divert deposits into an emergency savings account.

3

Ensure new emergency savings products have best-in-class design features and are optimized for older adults. For emergency savings tools to effectively build savings, they need to have the key features that make savings accounts work well: automatic enrollment and ongoing contribution via payroll (or income stream) deduction, existing as a standalone savings "bucket," offering principal protection, protecting funds by having FDIC backing or similar insurance, and offering liquidity and immediate accessibility of funds at the moment of an emergency.[63] As these accounts roll out across multiple distribution channels, providers should also design emergency savings tools with features that meet older adults' specific needs. For example, older adults may benefit from tailored services like fraud protection or accessibility features. Extended longevity will likely expand the financial services market for older adults and, as providers strive to best meet older adults' needs, we may be on the cusp of an explosion in the testing and innovation of features, communication approaches, and user experience models.[64]

4

Raise awareness among older adults. The fact that 30 percent of older adults don't know if they would want an employer-provided emergency savings account suggests that many could benefit from more education and outreach.[65] A wide variety of organizations—such as employers, retirement and investment firms, AARP, the Social Security Administration, and community-based organizations—that regularly engage with older Americans can raise awareness of the value of a specific emergency savings "bucket" and of workplace emergency savings programs that meet older adults where they are.

5

Remove barriers to saving that would limit the impact of emergency savings tools. For people to benefit from services that enable liquid savings, they need to be able to save in the first place. Asset and income limits required for many programs older adults rely on, such as Social Security Disability Insurance and Supplemental Security Income, discourage them from growing the savings and income they may need to be financially stable.[66] Employers, benefit providers, financial institutions, financial advisors, and more have an important opportunity to join advocates' call for the removal of asset limits.

Meeting the Need

Without the emergency savings needed to weather a financial shock, too many older adult households lack the protection to stay financially afloat, avoid debt, enjoy a comfortable retirement, support their families, contribute to the U.S. economy, and pass on wealth to the next generation. In the absence of emergency savings tools, insufficient savings could become more commonplace for those who are approaching or in retirement as America's population grows older. To reverse this course, emergency savings tools can play a major role in helping older adults prepare for financial shocks by making it easy to divert their income toward liquid savings. To be effective for older adults, emergency savings tools will need to consider their changing employment and income circumstances and offer services both at and outside the workplace. With growing momentum in the emergency savings field and an unmet need for older adults, there is a large opportunity for new solutions and innovations to help ensure that all older adults can be prepared for emergencies and enjoy a secure retirement.

Technical Appendix

For our data snapshot of savings, employment, and income among older adults, we used the 2022 Survey of Consumer Finances (SCF).[67] The unit of observation in the SCF is a "primary economic unit," which is defined as a sub-group within a household consisting of an "economically dominant single individual or couple" and all those who are financially interdependent with them.[68] For simplicity, we refer to primary economic units as "households." In our sample, older adults are described as "older adult households," which consists of households where the reference person (either an individual or part of a couple who is "economically dominant" in the primary economic unit) is aged 55 and older.[69]

We divided older adult households into four age groups that correspond to different trends in labor force participation by age as observed in the SCF. These age groups are defined as 55-61, 62-66, 67-75, and 76+. Age ranges were determined by observing where major age-related shifts in labor force participation occurred. For example, we observed the biggest shifts in labor force participation in the transitions to the 62-66 and 67-75 age groups because they correspond to key moments in eligibility for Social Security (62 for earliest eligibility and 67 for full benefit receipt).[70]

We also used the SCF to measure household liquid savings. We identified liquid savings using the SCF's "transaction accounts" variable, which is the sum of a household's funds held in checking accounts, savings accounts, money market accounts, call accounts at brokerages, and prepaid cards.[71]

To understand the scale of older adults that lack sufficient protection against financial shocks, we calculated the percentage of older adult households that do not have at least six weeks of income in liquid savings, which research from the JPMorgan Chase Institute (JPMCI) has found is the median number of weeks necessary to weather a simultaneous income dip and expense spike.[72] This result is based on JPMCI's analysis of Chase bank account transactions from 6 million families between 2012 and 2018. JPMCI defined an income dip as monthly income 25 percent smaller than a family's median income during the prior 12 months, and an expense spike as a monthly expense 25 percent higher than median spending in the prior 12 months. Using the SCF, we calculated the percentage of older adults with less than six weeks of income in liquid savings using households' weekly pre-tax income in the previous calendar year and the value of liquid savings.

Endnotes

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