

MONITOR

IMLS Summit: “Transforming Life after 50”

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Older Americans and the “Great Recession”

Michael Zielenziger

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This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

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What explains economic prosperity of 2001-7?

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- Higher Productivity?
- Agricultural boom?
- More Exports to other nations
- Major Technological innovation

....Or....

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Driver of the West's economic growth



Effects of the housing boom

- Construction Jobs
- Real Estate licenses
- Property taxes
- Bank refinancing / closing costs / escrow / insurance

Was IT SUSTAINABLE?

Effects of the housing boom

- 418,000 net construction jobs (1/01 to 6/05)
- 41 percent of total employment growth
- 474,000 rise in financial services jobs, of which at least 20 percent were in real estate

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- Manufacturing loses 2.6 million jobs
- High tech loses 560,000 workers
- Balance of trade deficit explodes

New driver of the West's economy

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The Post-Lehman brothers world

Banking crisis: bailouts for big banks; TARP

-- credit crisis for Main Street

+ End of “easy” credit = defaults

**+ Stunning collapse of housing prices =
foreclosure**

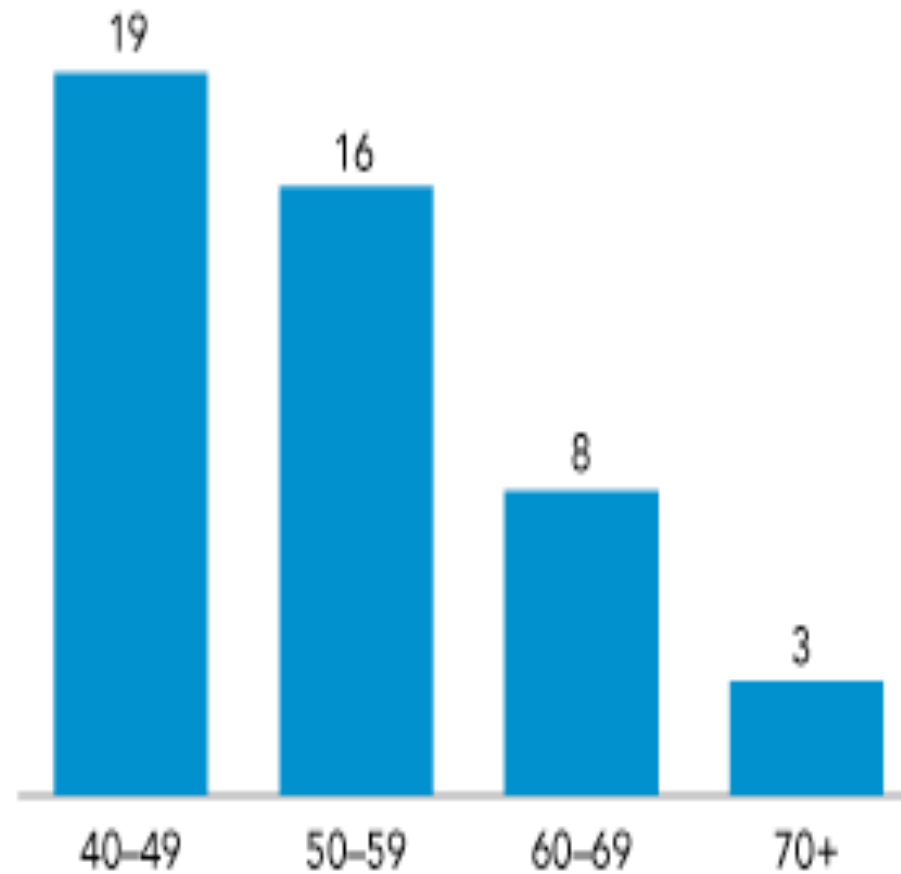
+ No housing / no credit = no jobs!!

+Steady fall of equities

+ The ERA of ZIRP and deflation

What’s a 50+ couple to do??

Households Affected by Financial Distress by Age Group



A new US paradigm??

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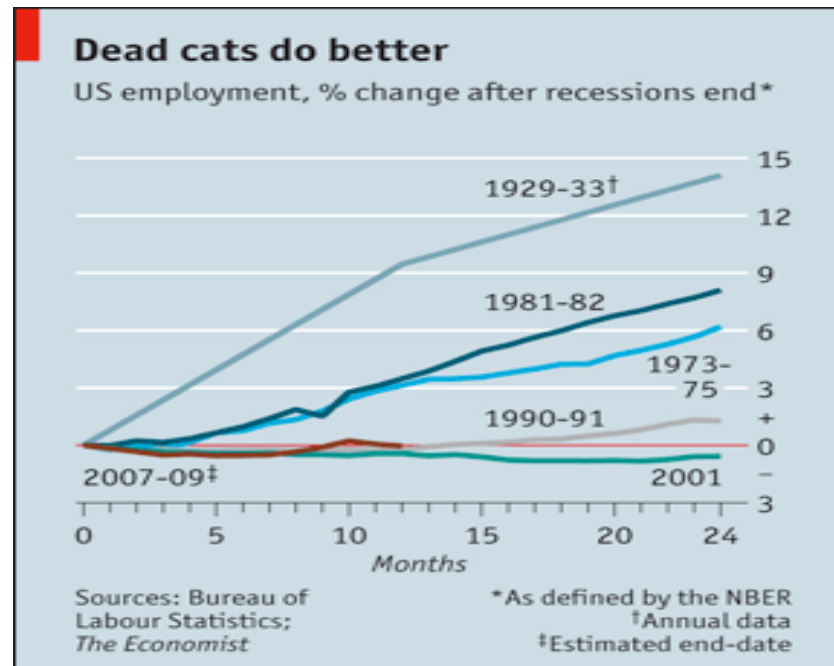
- Internet “bubble”
- Housing “bubble”
- ARM “bubble”
- Banks charge 4 percent; Savers get less than one percent...

- Where are new jobs??
 - Manufacturing?
 - High-tech?
 - Graduation statistics of younger Americans
 - Military recruitment – UP!!

Recession + unemployment = “hard times”

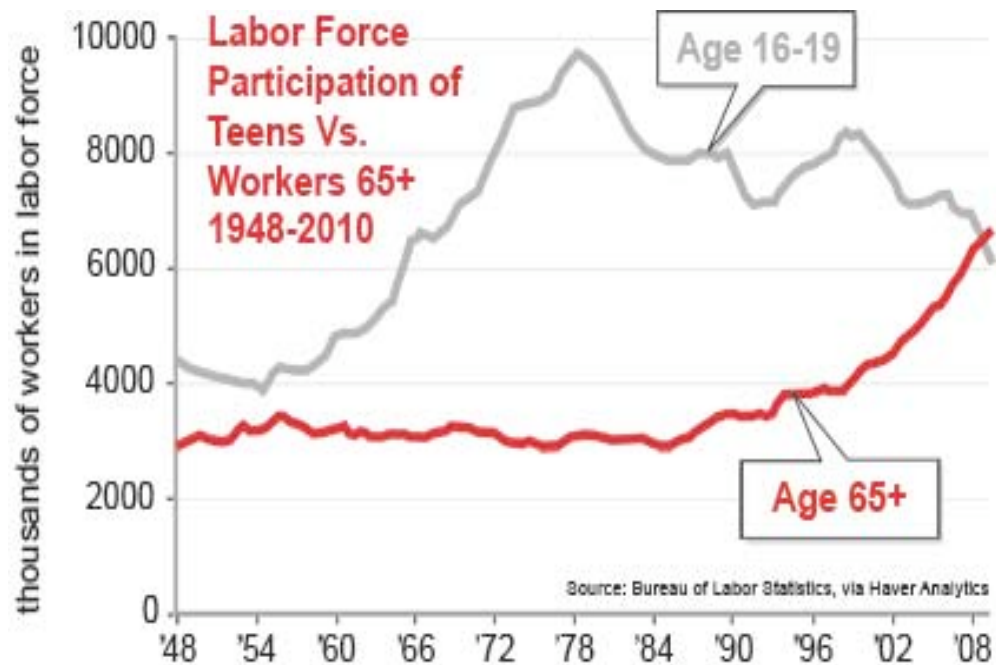
....Recoveries *usually*

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More 65+ workers than 17 year old workers...

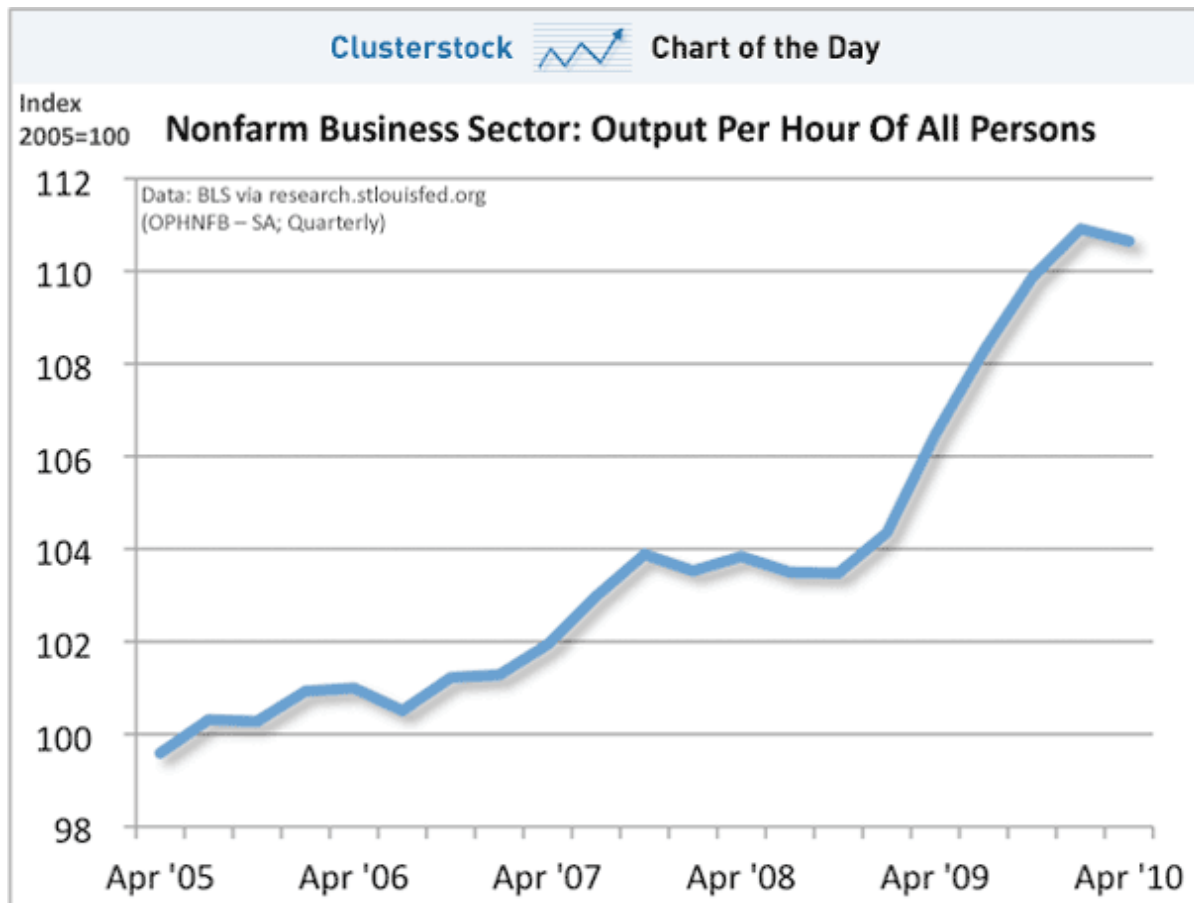
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Continual rising productivity

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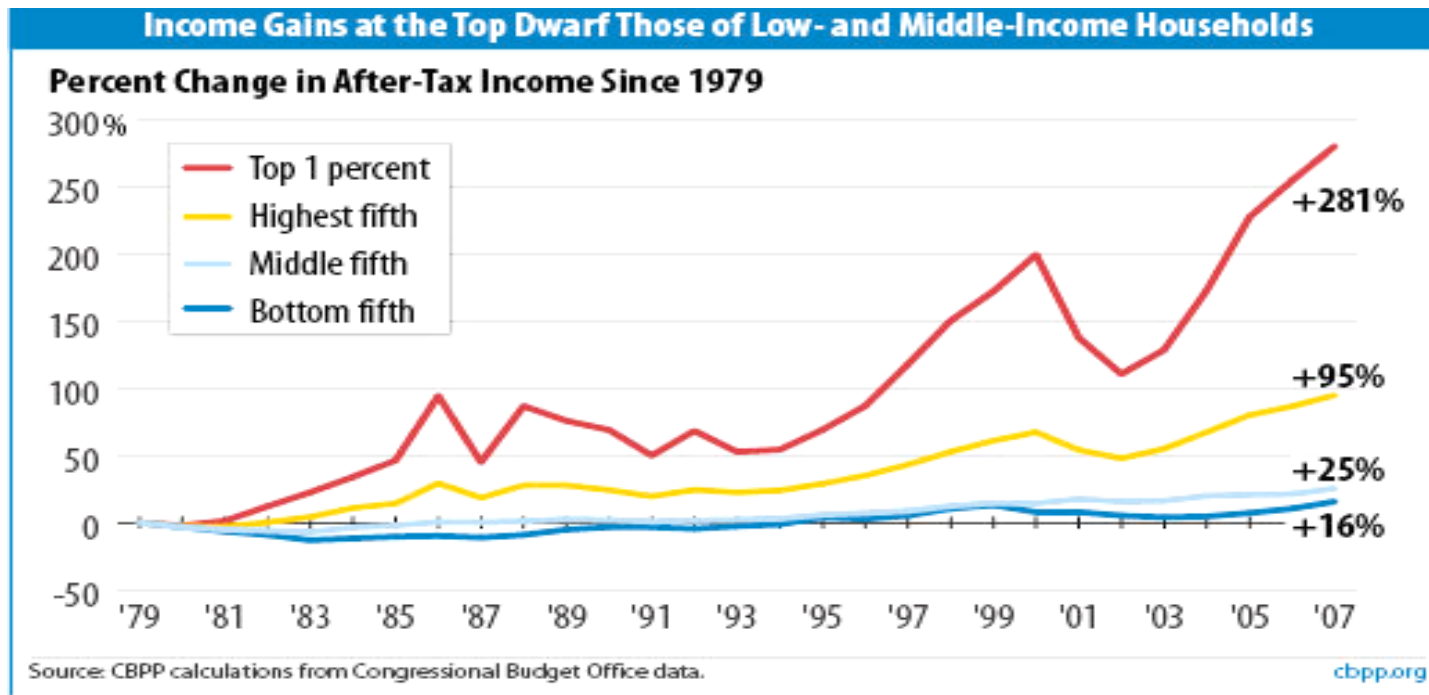
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Economic prosperity not equally shared

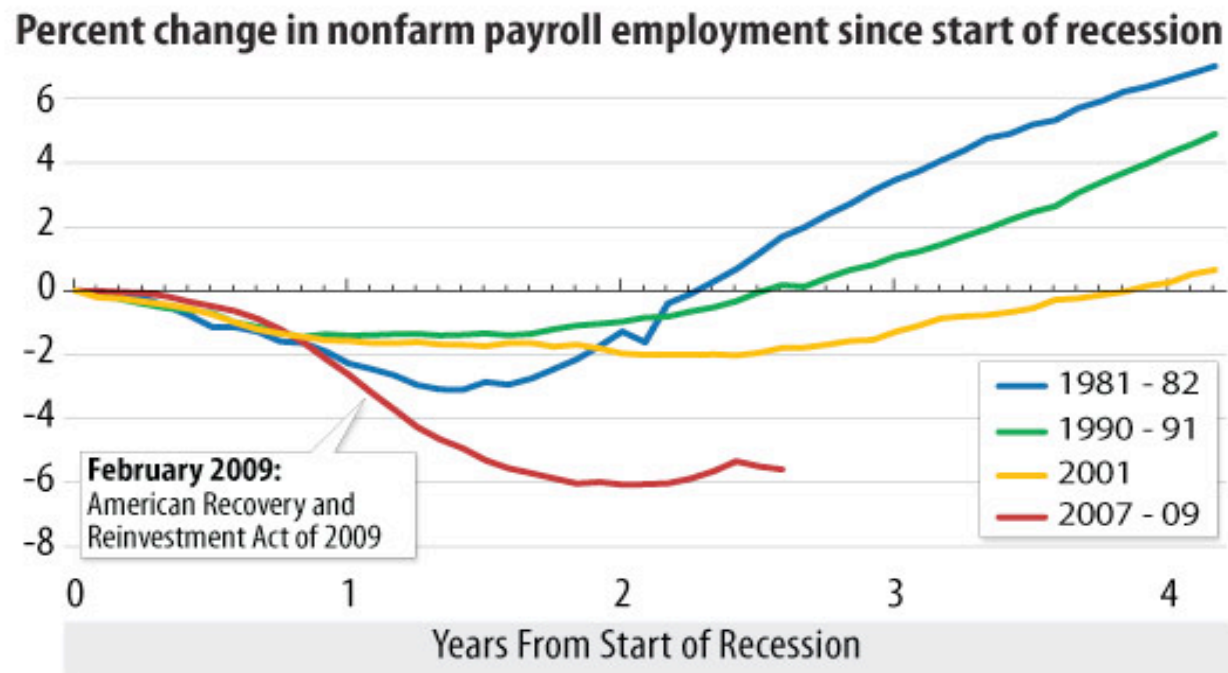
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Unprecedented job losses

in year three...



Source: CBPP calculations from Bureau of Labor Statistics data. Center on Budget and Policy Priorities | cbpp.org

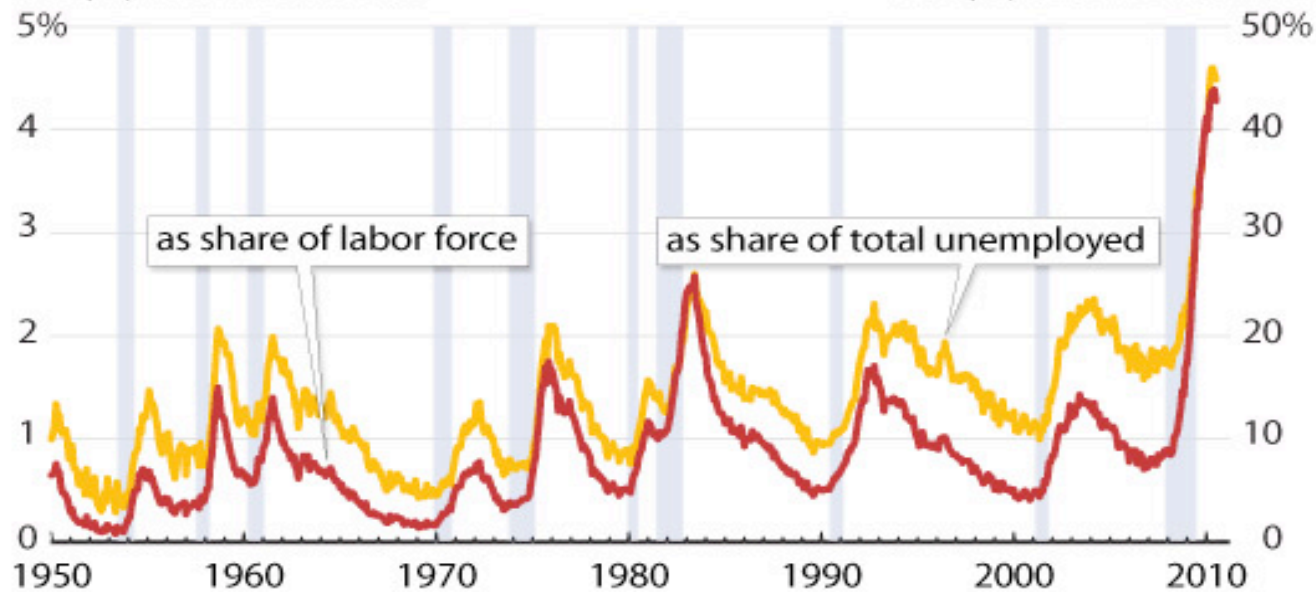
Long term unemployment rates unprecedented

beyond 27 weeks...

Long-Term Unemployment

Share of labor force
unemployed for 27 weeks or more

Share of unemployed population
unemployed for 27 weeks or more



Sources: Bureau of Labor Statistics and
National Bureau of Economic Research

Center on Budget and Policy Priorities | cbpp.org

Leaving stocks for bonds

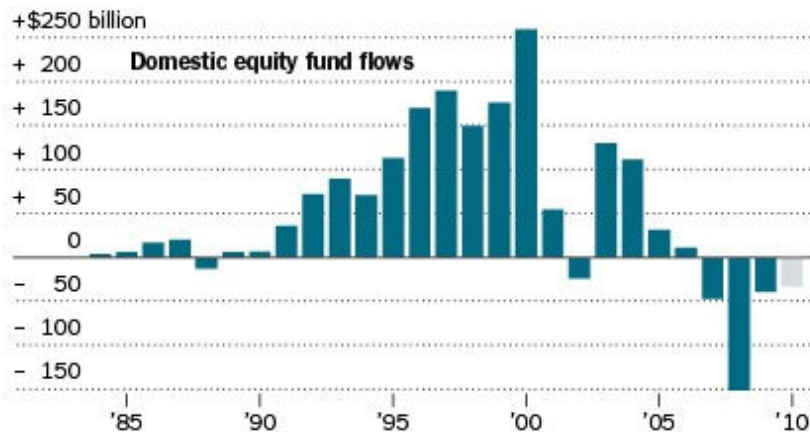
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...funds even though bond yields are poor

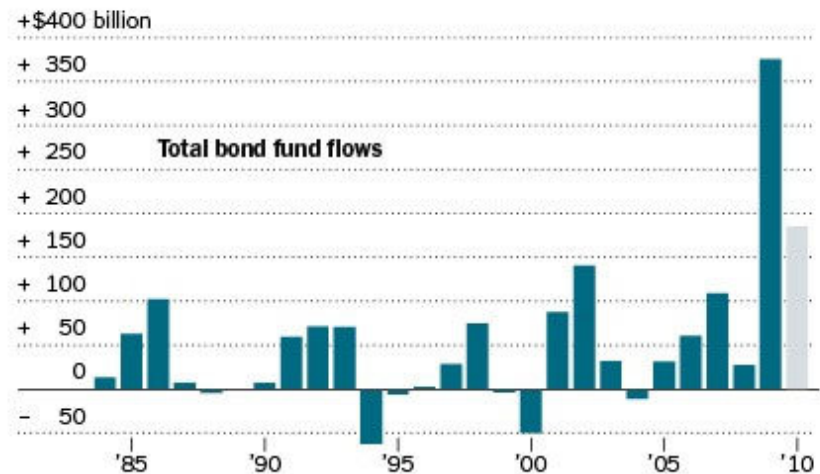
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Flight to Safety

In the last few years, investors have been pulling their money out of stocks ...



... and putting more in the relative safety of bonds.



Source: Investment Company Institute

THE NEW YORK TIMES

“Then” Inflation vs. “Now” Deflation

:INFLATION

Too *much* money chases too few“
”goods

Demand pushes
cost
s higher. (Frothy housing “bubble”)

High
interest
rat
es; the “real” value of money erodes

Good for debtors. Bad for savers

D

Too *little*
”too many goods

D

!fall --like housing today

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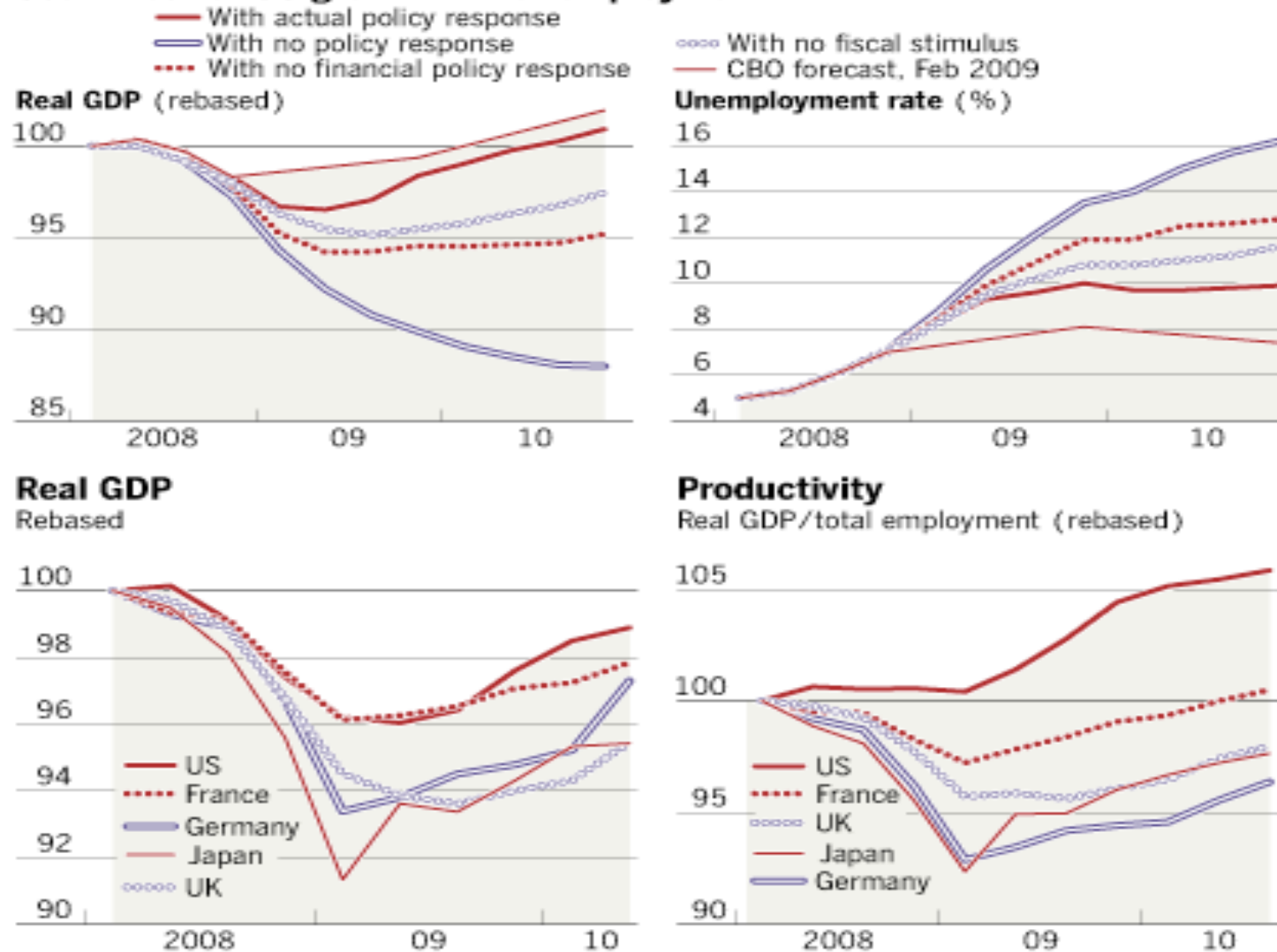
.spark consumption

B

/good for savers

Productivity growth and unemployment

Scenarios for US growth and unemployment

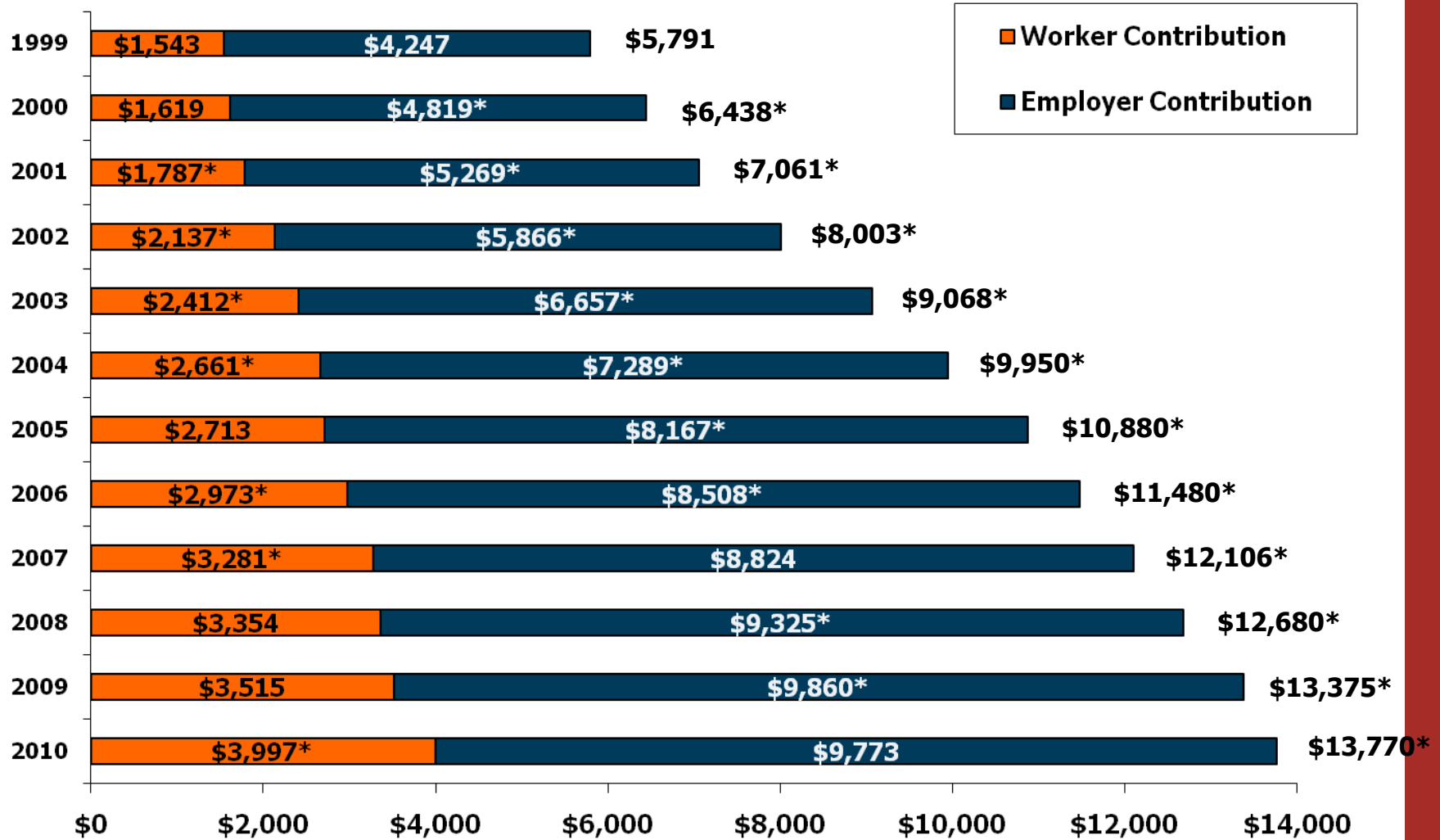


Sources: *Bünder & Zandi (2010)*; CBO; Thomson Reuters Datastream

The 2010-2020 paradigm

- **401 (K) now 201 (K): stock portfolios unravel**
- **Housing values shrink, maybe permanently**
- **Forced to work longer, without robust job prospects**
- **Cut backs in city services and public benefits**
- **A nation of non-savers being forced to “cut back”**
- **More \$\$ to pay for health care**
- **NO QUICK FIXES!!**

Health Care Burden: Average Annual Contributions to Premiums and Total Premiums for Family Coverage, 1999-2010



* Estimate is statistically different from estimate for the previous year shown ($p < .05$).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2010.

Role for libraries

- **Expand “literacy” to include financial literacy**
- **Employment / job centers**
- **Counseling centers; strong links to employment security agencies**
- **Community centers**
- **Building community ties where other institutions have failed.**
- **Help for very young and very old; updated definition of “continual learning...”**

Questions / Comments??

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mzielenziger@gmail.com 1

michael_zielenziger@monitor.com 1