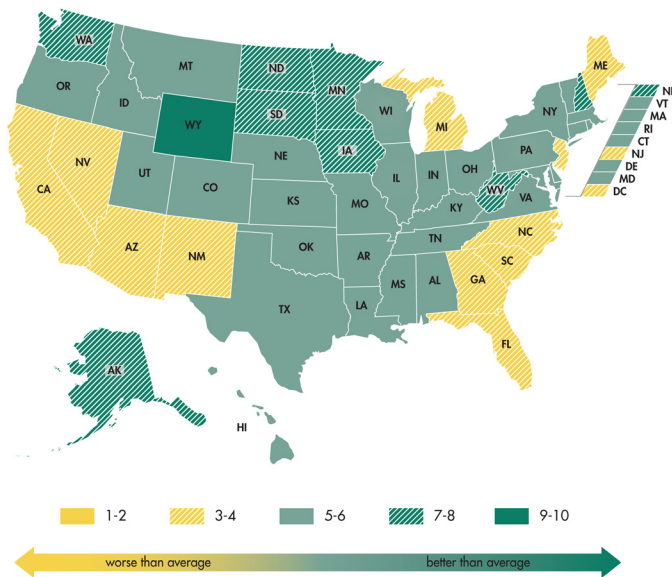


Financial Security for Future Retirees: New Mexico Scores 4 out of 10



New Mexico like every state faces challenges to the financial security of future retirees. The state's 4 out of 10 score on the Financial Security Scorecard means that the next generation has a much lower potential for financial security in retirement than counterparts in many other states. The scorecard considers: future income, key retiree costs, and labor markets for older workers.

With its low ranking, New Mexico has an important role to play fashioning financial security as workers age. Its potential future retiree income score was at the bottom; this means that workers need help to maintain their standard of living with an adequate income stream over their retirement years. Less than one-third of New Mexico workers participate in a retirement plan at work. Those who have saved for retirement in defined contribution (DC) account have an average balance of \$22,402; this

means that workers have saved less than even one-third of the \$82,241 average annual earnings of working New Mexicans in 2012. Financial industry experts recommend that workers by their 40s should have 2-3 times salary in retirement savings set aside. Increasing retirement plan coverage and savings for retirement is important otherwise the percentage of older New Mexicans living in poverty in the future may exceed the 2012 level of 11.9 percent.



POTENTIAL FUTURE RETIREE INCOME SCORE: 2 OUT OF 10

New Mexico was one of two states to receive the lowest potential future retiree income score, as the components of the retirement income score were all below average. With just 32 percent of private sector employees participating in an employer-sponsored retirement plan in 2012, New Mexico had the lowest coverage rate in the nation. Since 2000 the percent of workers covered in a retirement plan has dropped from 49 percent. The \$22,402 saved in the average DC account held by New Mexicans was the third lowest in the nation, far below the \$30,345 in retirement savings nationally. New Mexico also had a relatively high 4.83 percent marginal tax rate on pension income.



MAJOR RETIREE COST SCORE: 6 OUT OF 10

The components of New Mexico's retiree cost score were mixed, and yielded an above-average score. The state ranked lowest in the nation in terms of Medicaid generosity, with average payments of just \$2,407 per beneficiary. However, the state ranked third in terms of Medicare generosity, as retirees in the state had an average cost-sharing liability of just \$1,502 in out-of-pocket costs for enrollees. New Mexico ranked 13th in the nation in its housing cost burden for older households, with 28 percent of older households paying 30 percent or more of their income towards housing costs.



OLDER ADULT LABOR MARKET SCORE: 6 OUT OF 10

Both of the components of New Mexico's adult labor market score were about average, and yielded a slightly above average score. In 2012, New Mexico had an older adult unemployment rate of 5.3 percent, the same as the national average. Its median wage for older workers was \$14.90 per hour, slightly higher than the national average of \$14.76 per hour.

NEW MEXICO FINANCIAL SECURITY SCORES: 2000, 2007, 2012, AND NATIONAL AVERAGE 2012

	2000	2007	2012	National
Overall Score	5	5	4	5.4
Retirement Income Score	2	3	2	5.5
Retirement Plan Participation (Private Sector)	48.80%	45.40%	32.09%	46.0%
Average DC Account Balance	\$16,929	\$22,434	\$22,402	\$30,345
Marginal Tax Rate on Pension Income	6.49%	5.19%	4.83%	4.0%
Retiree Cost Score	6	7	6	5.4
Medicare Out of Pocket Cost per Enrollee	\$1,275	\$1,478	\$1,502	\$1,745
Medicaid Payments for Older Beneficiaries	\$12,494	\$12,781	\$2,407	\$16,978
Older Households Paying 30% or More for Housing	26.3%	29.4%	27.7%	32.7%
Labor Market Score	6	7	6	5.6
Older Worker Unemployment Rate	2.1%	2.1%	5.3%	5.3%
Median Hourly Wage for Older Workers	\$13.39	\$14.23	\$14.90	\$14.76

Note: All dollar figures are in 2012 dollars.

ABOUT THE FINANCIAL SECURITY SCORECARD

The Financial Security Scorecard measures three key areas of retirement security: potential future income, major retiree costs, and the labor market for older Americans. This Scorecard assesses New Mexico relative to the other states on these dimensions of retirement security.

Nationally, private sector participation and savings in retirement plans are particularly inadequate. Reflecting an overall downward trend, even the highest-ranking state for workplace retirement plan participation had just 54% of private sector workers age 21-64 enrolled in a pension or 401(k) style retirement plan. Furthermore, existing savings levels in 2012 generated account values that are lower than a year's income and below levels that financial industry experts recommend as targets for most ages. Thus, regardless of relative scores, all states have their work cut out for them when it comes to creating absolute financial security for aging populations.

States were ranked based on eight measures of financial security for future retirees including: percentage of private sector workers participating in a retirement plan at work; average defined contribution account balance; marginal tax rate on pension income; average out-of-pocket expenditures for Medicare patients; average Medicaid spending per elderly patient; percent of older households spending 30 percent or more of income on housing costs; unemployment rate of people 55 and older; and median hourly earnings of workers 55 and older. Rankings were scored both overall and within three key categories on a scale of 1 to 10, with higher scores indicating better performance for the years 2000, 2007 and 2012.

For more information about the national and state scorecards visit www.nirsonline.org.