

# Reimagining Retirement 2030: A Roadmap for Action

CRI Annual Policy Innovation Forum

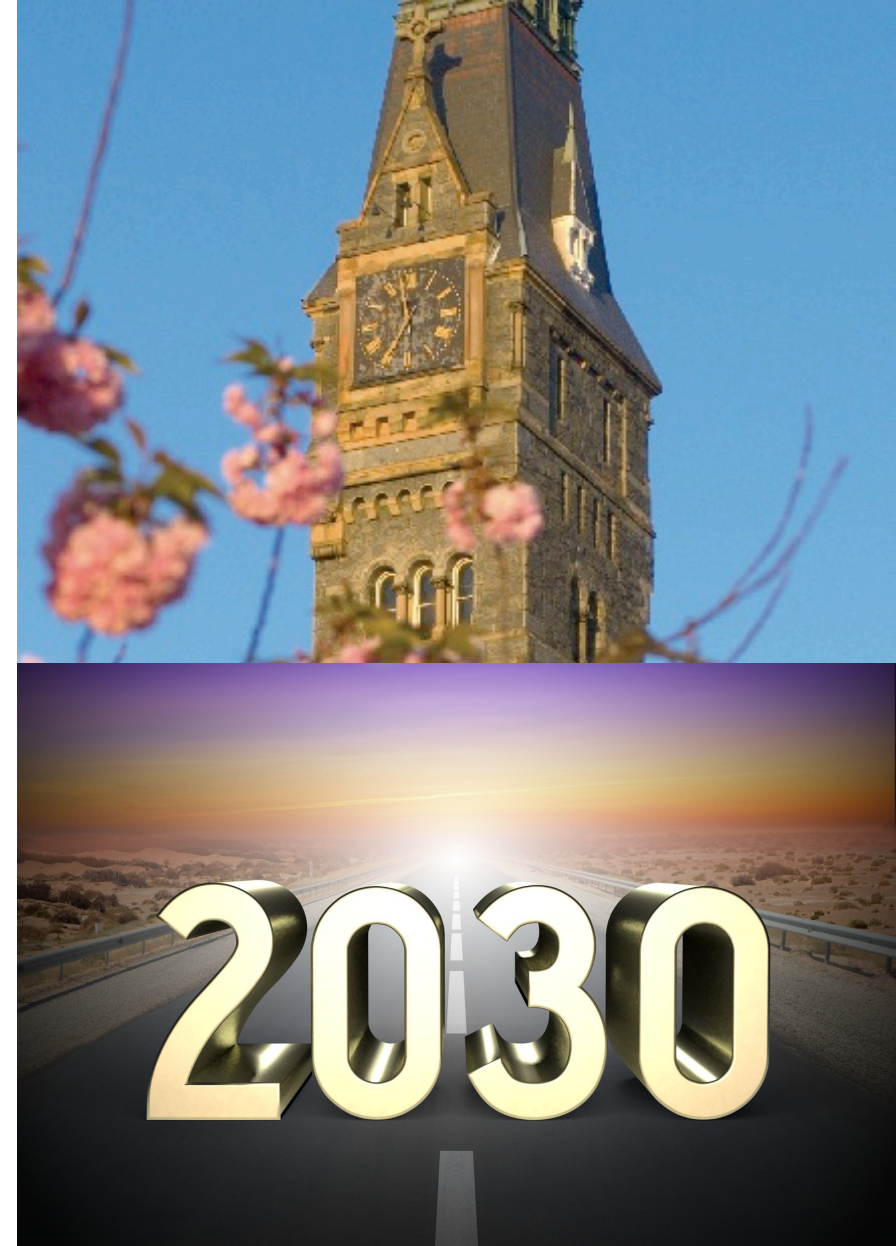
October 20, 2020

Social media: #2030CRIForum

*GEORGETOWN*  
UNIVERSITY

McCourt School *of Public Policy*

**CENTER FOR  
RETIREMENT  
INITIATIVES**



@cri\_states



*GEORGETOWN* UNIVERSITY

# What Role Should Our Retirement System Play in Strengthening Financial Resiliency and Financial Well-Being?

## Moderator | Karen Andres

Director of Policy and Market Solutions, Financial Security Program, Aspen Institute

## Panel Participants



**David Newville**  
Vice President, Policy and Research, Prosperity Now



**Lauren Hoeck**  
Senior Consulting Actuary, Willis Towers Watson



**Mariel Beasley**  
Principal, Duke University's Center for Advanced Hindsight; and Co-Founder, Common Cents Lab



**Pablo Antolin**  
Principal Economist and Deputy Head of the Insurance, Pensions, and Financial Markets Division, OECD

**David Newville**  
Vice President, Policy and Research  
Prosperity Now



# What Role Should Our Retirement System Play in Strengthening Financial Resiliency and Financial Well-Being?

## CRI Annual Policy Innovation Forum

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**The Prosperity  
Now mission is**  
to ensure  
everyone in our  
country has a  
clear path to  
financial stability,  
wealth and  
prosperity.

# PROSPERITY NOW SCORECARD

## 75 Outcome Measures

26 Disaggregated by Race, 49 Overall

Disaggregated data by disability status, gender, and income

Trend data across 44 data measures

## 28 Policy Measures



Financial Assets  
& Income



Businesses &  
Jobs



Homeownership &  
Housing



Health Care



Education

# Comparison Reports

## COMPARE POLICIES

### How Does Alabama Compare?

PROSPERITY NOW  
SCORECARD

The *Scorecard* includes 53 policies organized into 36 groups. This report compares policy adoption across states assessed based on whether they have adopted each policy in the report; a ✓ indicates the state has adopted the policy, while an ✗ indicates the state has not. Policy adoption is assessed on policies enacted during calendar year 2017.

#### FINANCIAL ASSETS & INCOME

##### Asset Limits in Public Benefit Programs

	AL	FL	GA
Eliminated TANF asset test?	✓	✗	✗
Eliminated SNAP asset test?	✓	✓	✓
Eliminated LIHEAP asset test?	✓	✓	✓

#### HOMEOWNERSHIP & HOUSING

##### First-Time Homebuyer Assistance

	AL	FL	GA
Downpayment assistance to first-time homebuyers?	✓	✓	✓
Direct lending programs to first-time homebuyers?	✗	✓	✗
Funded homeownership counseling?	✗	✓	✓

## COMPARE OUTCOMES

### How Does Louisiana's 1st District Compare?

PROSPERITY NOW  
SCORECARD

The *Scorecard* is a comprehensive portrait of the financial health and well-being of U.S. households, and equips advocates, policymakers, practitioners, and other stakeholders with the tools and data necessary to support their programmatic and policy initiatives. This report compares the relative outcome performance of up to six locations to that of the United States.

#### BUSINESSES & JOBS

##### Unemployment Rate

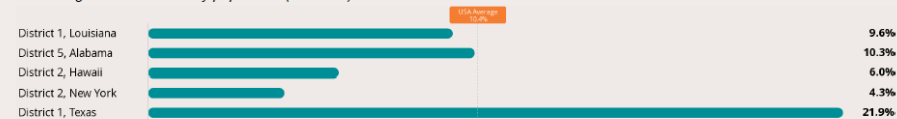
Annual average unemployment rate of the civilian labor force



#### HEALTH CARE

##### Uninsured Rate

Percentage of the non-elderly population (under 65) without health insurance



NEARLY **4 IN 10** HOUSEHOLDS



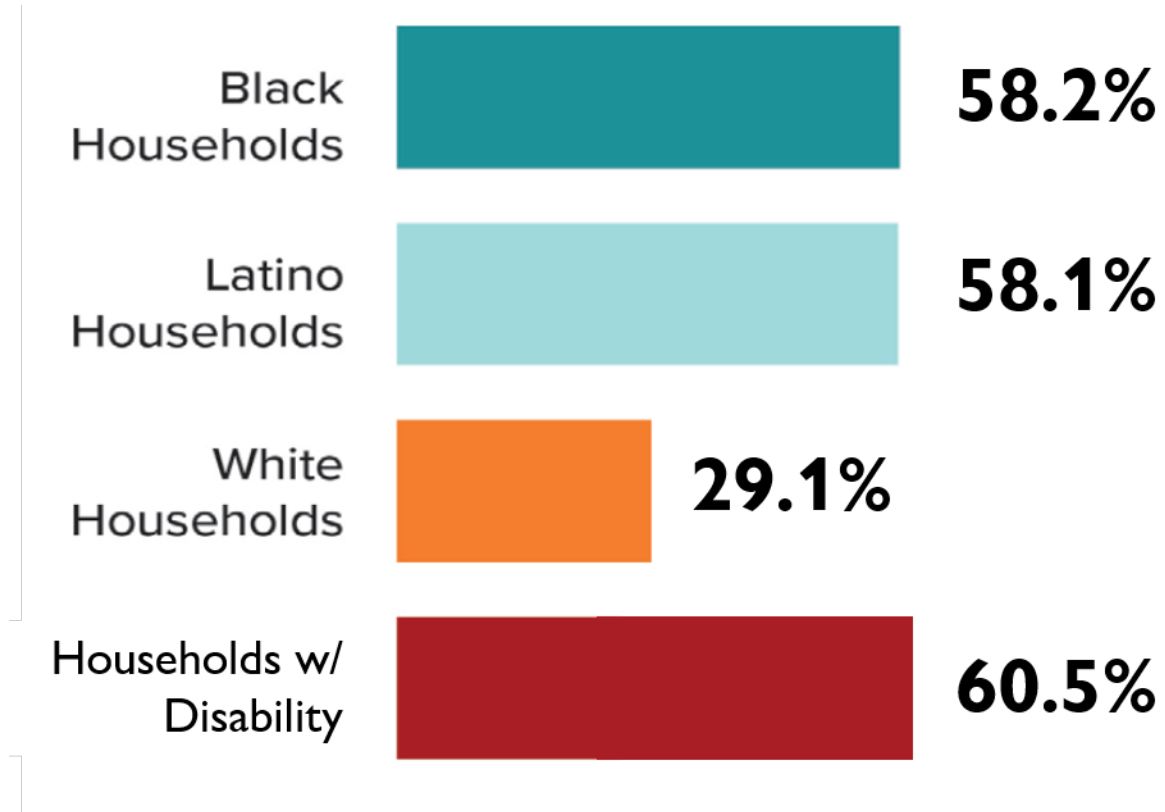
ARE **LIQUID ASSET POOR** IN THE US

DON'T HAVE ENOUGH SAVED TO COVER A  
POVERTY-LEVEL INCOME FOR 3 MONTHS IN  
THE EVENT OF AN EMERGENCY  
(\$3,168 for individual, \$6,550 for family of four)

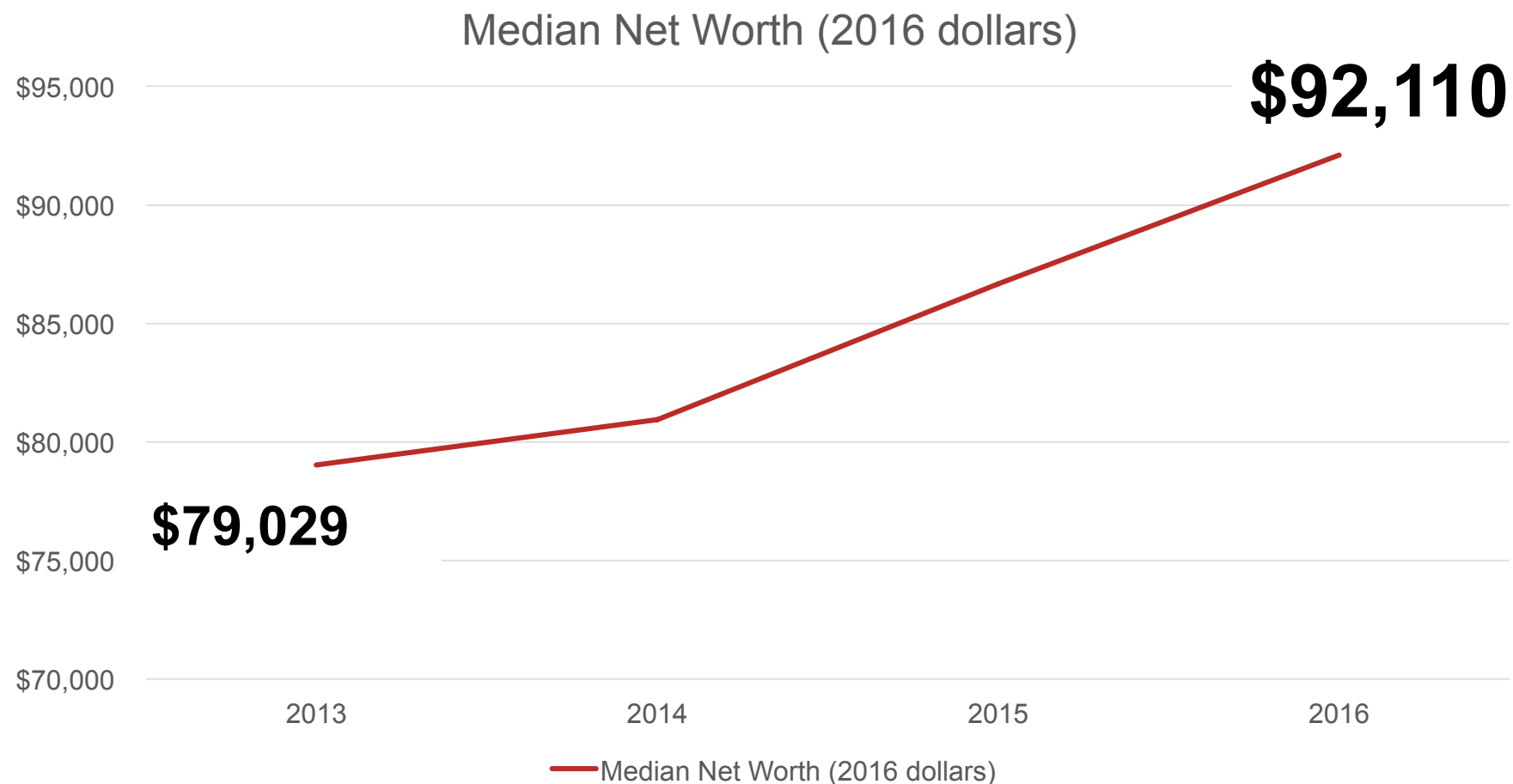
Source: Survey of Income and Program Participation



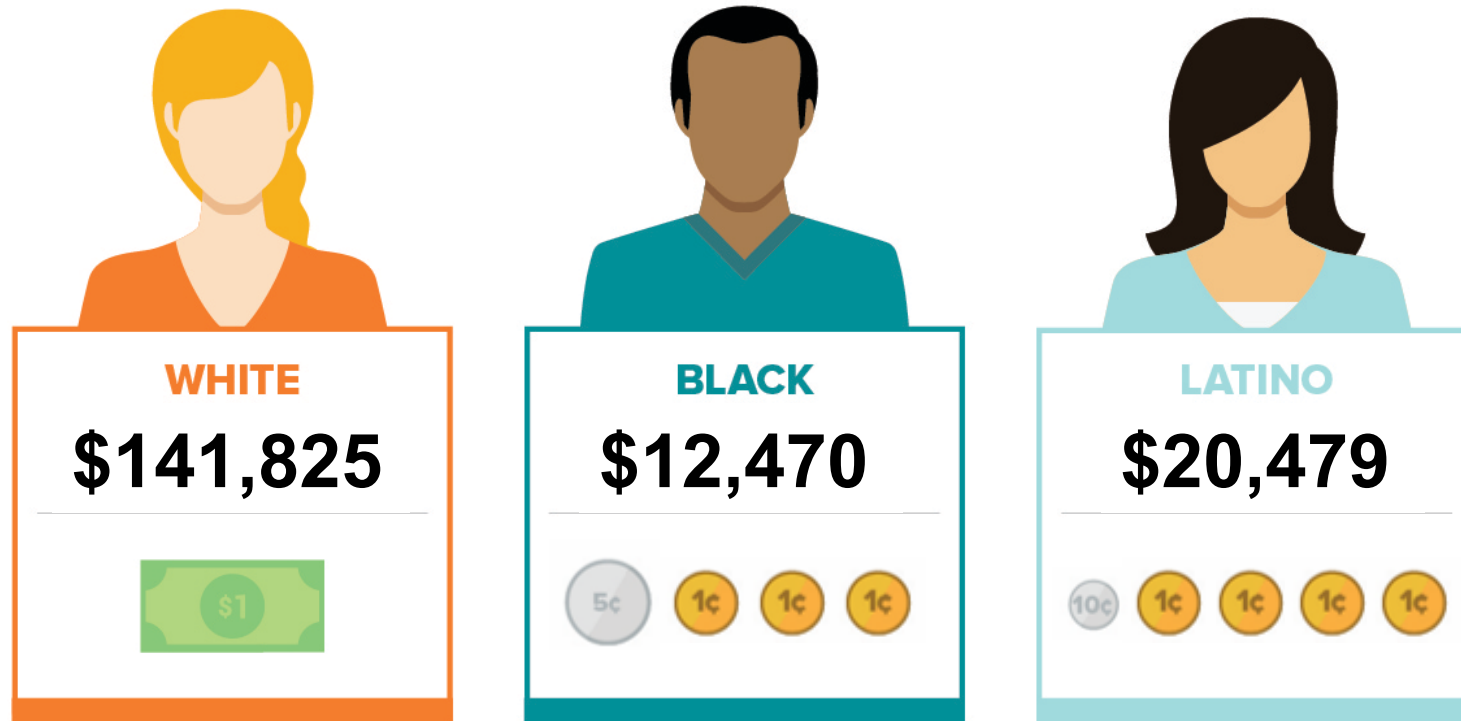
# Liquid Asset Poverty Rates



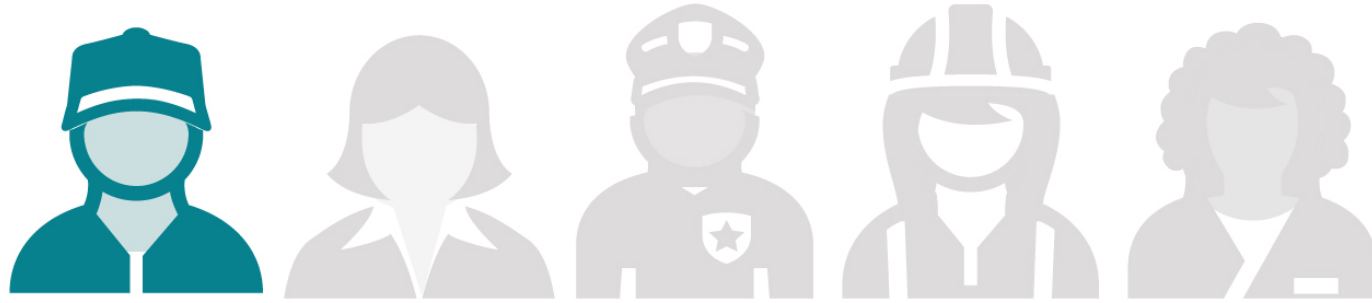
# Median Household Net Worth



# The Racial Wealth Gap: Median Net Worth



# Jobs Don't Cover Cost of Living



1 in 5 JOBS

IN THE US IS LOW WAGE



# Income Volatility

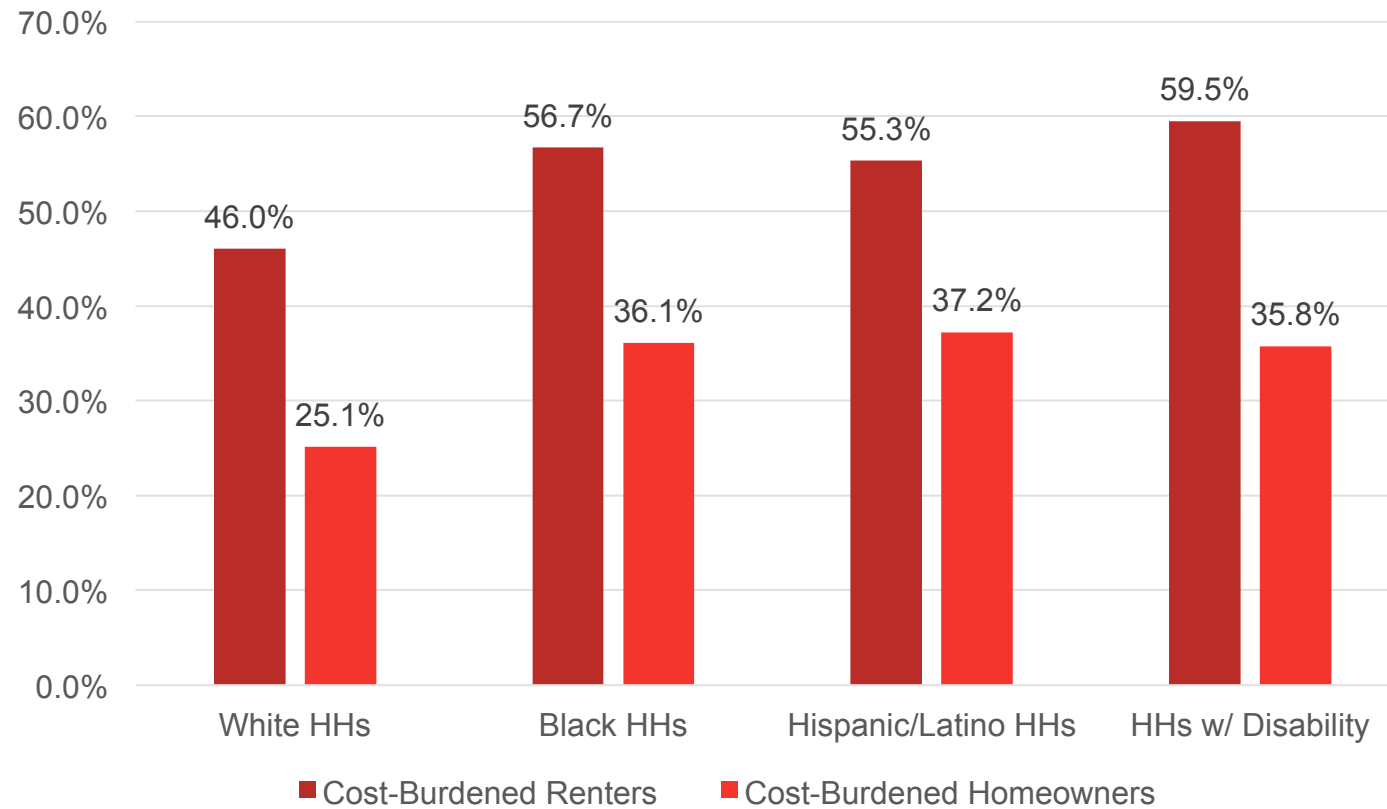
**1 IN 5 HOUSEHOLDS**

**HAVE SIGNIFICANT INCOME FLUCTUATIONS**

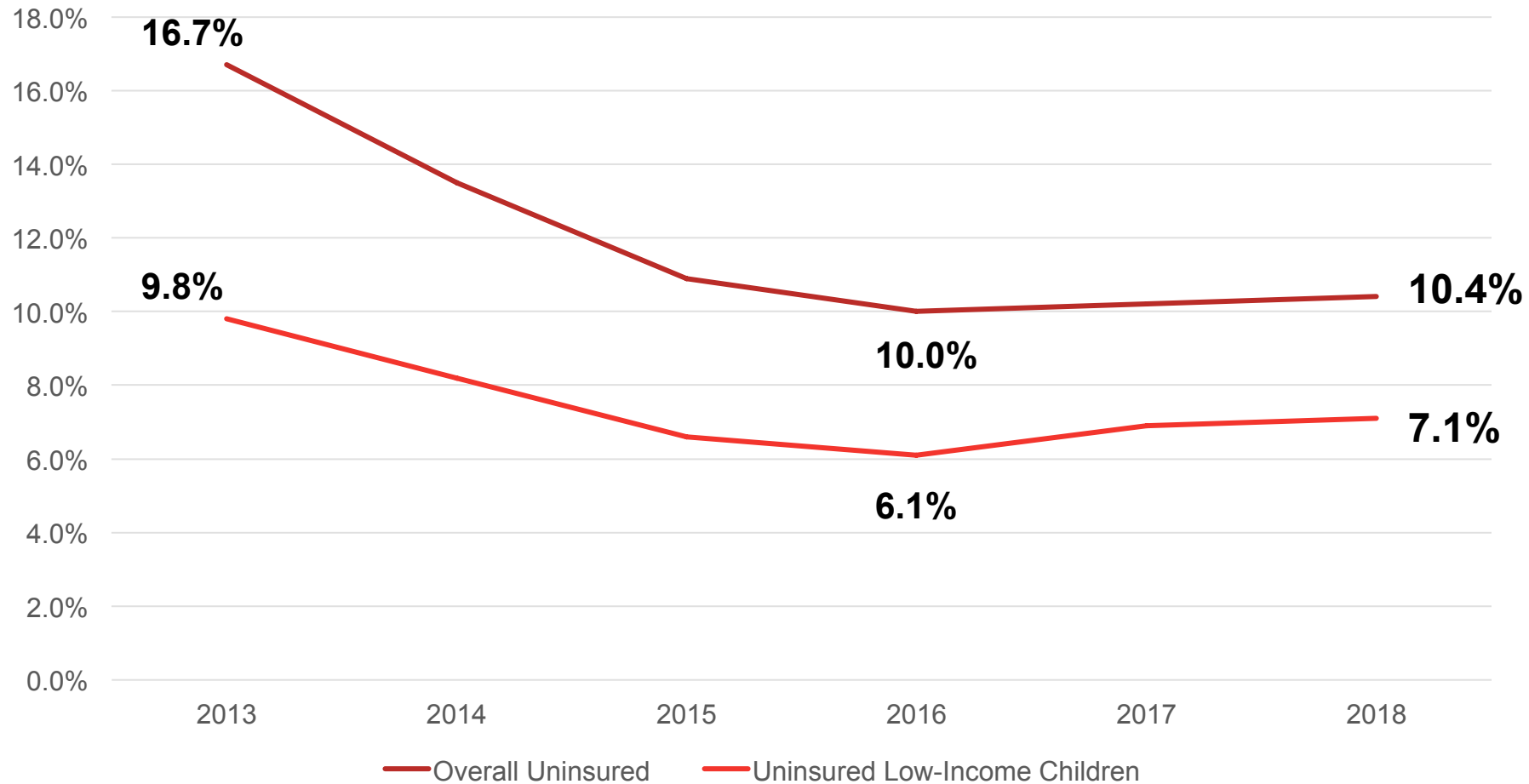


**FROM MONTH TO MONTH**

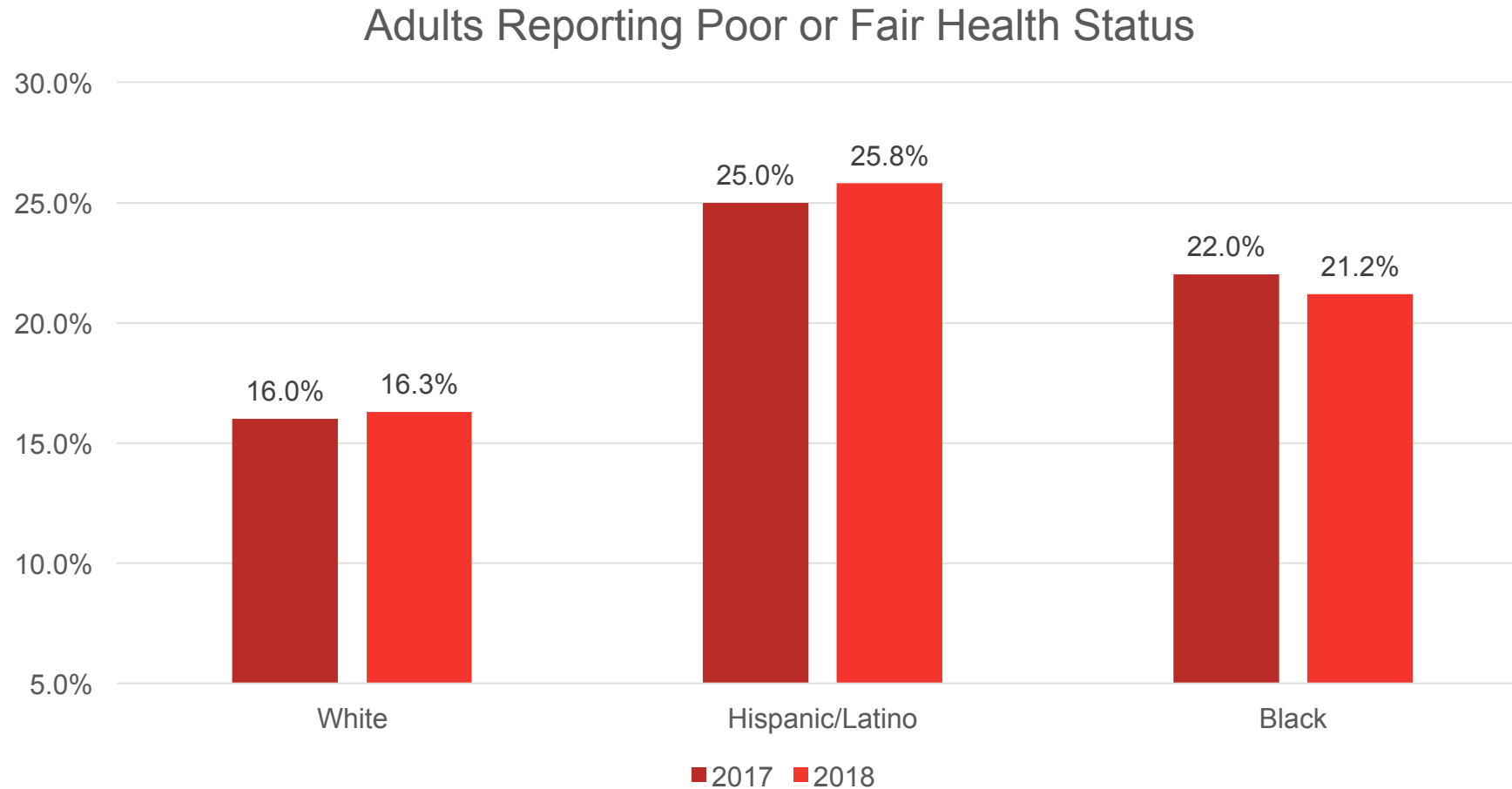
# Cost-Burdened Households



# Losing Ground in Health Care Access



# Losing Ground in Health Care Outcomes





# National Survey on the Financial Impacts of COVID-19

- National sample of 2,252 lower-income households
  - Income limit of \$49,999
  - Quota sampling
- Questions to understand the circumstances of these households and what strategies they use to manage
  - Demographics and household composition
  - Household financial characteristics
  - Financial impacts of COVID-19
  - Strategies/products/relief households using to navigate crisis

Race/Ethnicity of Respondents	
Black/African American	17.1%
Latino	22.0%
Asian	4%
White	52.8%
Other	4%

Annual Income of Respondents	
Lower than \$15,000	17.3%
\$15,000 - \$24,999	23.3%
\$25,000 - \$34,999	24.7%
\$35,000 - \$49,999	34.7%

*Source: Prosperity Now Survey of Lower-Income Households, June-July 2020.*

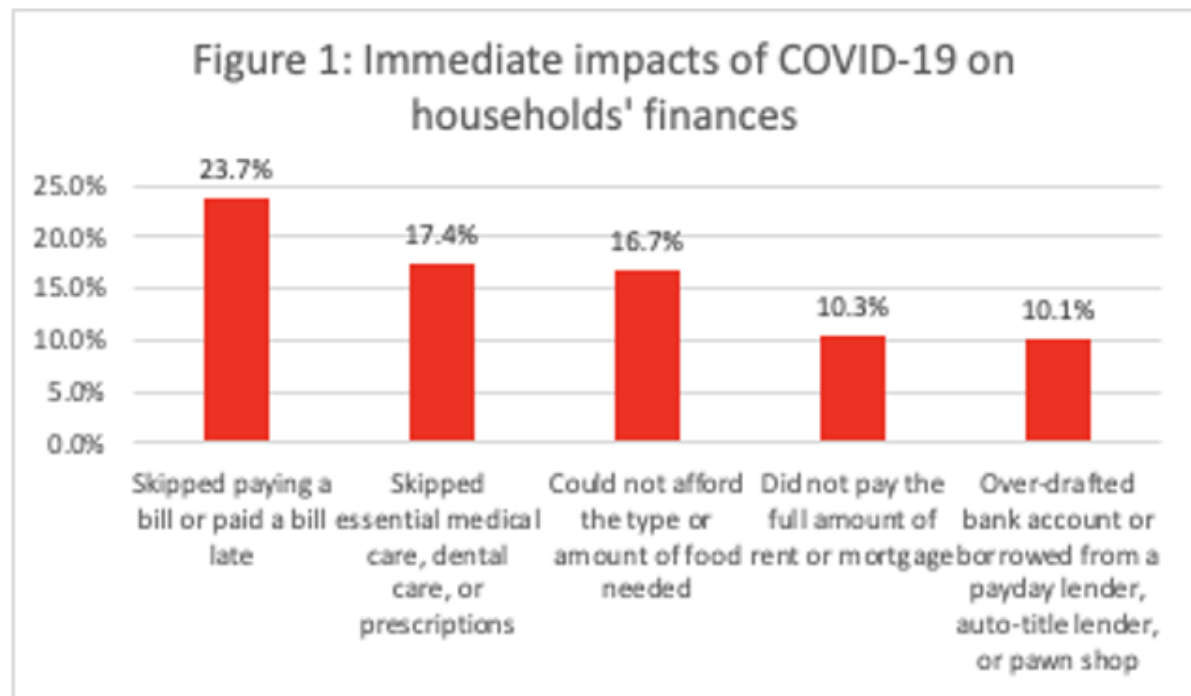
# Nearly 40% of lower-income households feel worse off financially as a result of the pandemic.

Financial situation	Percent
Much better off	2.9
Somewhat better off	9.0
About the same	50.5
Somewhat worse off	26.1
Much worse off	11.6

*Source: Prosperity Now Survey of Lower-Income Households, June-July 2020.*

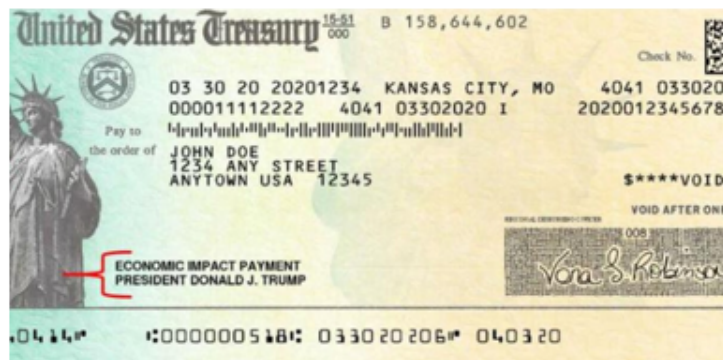
- This is consistent with the fact that since March 2020, over 40% of households surveyed experienced a reduction in income caused by COVID-19.
- Causes of income reduction were reduction of hours (35.2 percent), having been laid off or furloughed (21.3 percent), the fact that the workplace is/has been closed (20 percent), business/workplace is losing revenue (15.5 percent).

**Due to COVID-19, almost half of the households surveyed were unable to cover one basic expense, such as housing, food or medical care.**



*Source: Prosperity Now Survey of Lower-Income Households, June-July 2020.*

**Almost 84 percent of all lower-income households surveyed received the Economic Impact payment under the CARES Act.**



Self-identified White households in this survey were roughly eight percentage points more likely to receive a stimulus check than Black or Latino respondents.

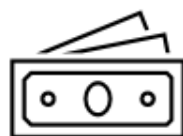
Households in the lowest income brackets (under \$25,000) were also less likely to receive a stimulus check than those in higher income brackets.

Barriers: eligibility, access to internet, bank account.



## Lower-income households rely on numerous strategies to mitigate the financial impacts of the pandemic.

- 61% of households used Economic Impact Payments
- 39% resorted to using savings
- 22% depended on tax refunds
- 21% applied for public benefits
- 21% skipped bill payments totally
- 20% borrowed from friends or family members



## Latino and Black households and those in the lowest income brackets are the most likely to turn to credit products that may lead to mixed results

Nearly 36% of respondents applied for at least one credit product to obtain financial resources to mitigate the impact of COVID-19

While credit products can be vital for helping households balance their financial lives in difficult times, these debts must eventually be repaid.

Costs associated with these credit products vary widely, and they can be quite high in some cases.

### Top 5 Credit Products Applied For

1) Credit Cards [23%]

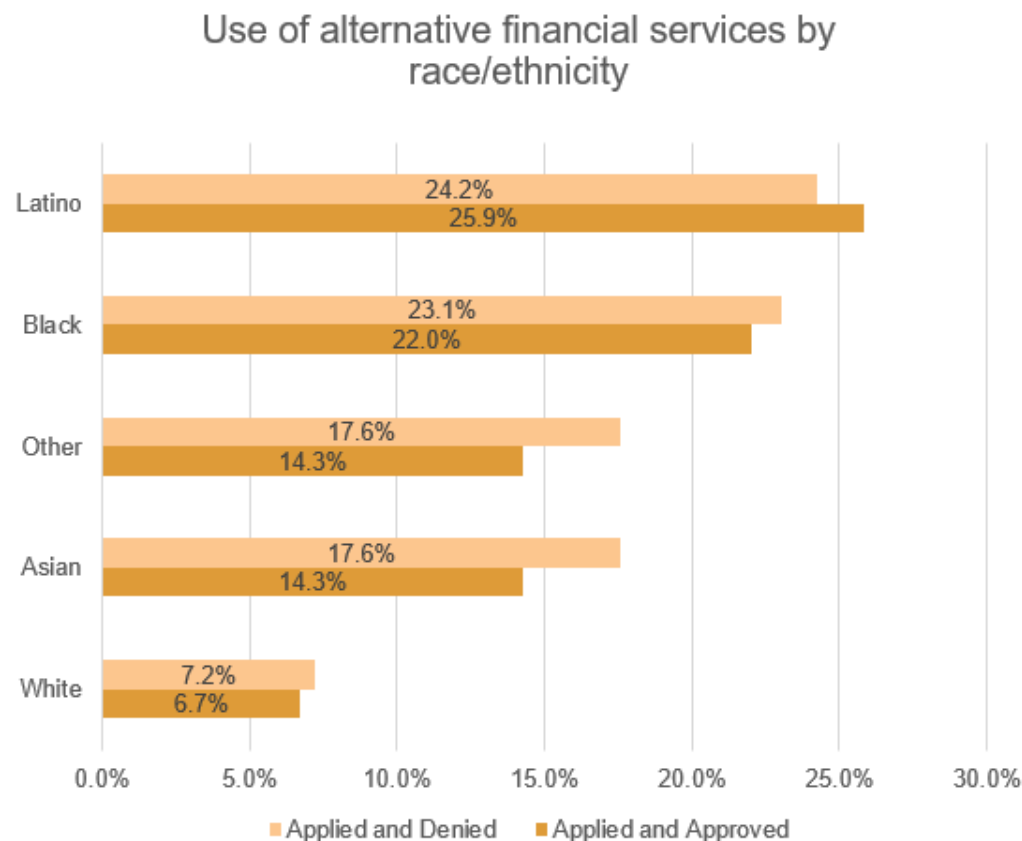
2) Personal loans, lines of credit [16%]

3) Loans from nonbank financial companies [13%]

4) Payday loans [12%]

5) Pawnshop loans [11%]

# Black, Latino and Asian HHs are more likely than White HHs to apply for alternative financial products



# Federal Policy for a More Equitable Future

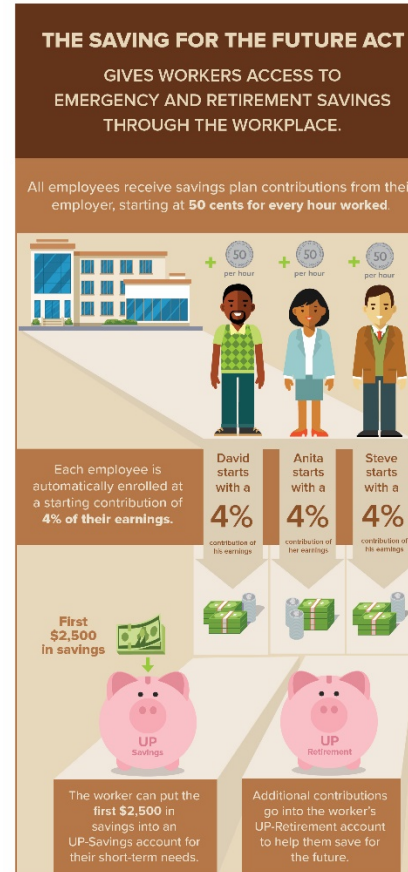
- Expand access to credit and affordable financial products
- Stronger consumer protections against abusive debt collectors and predatory lenders
- Housing affordability and stability for renters and owners
- Broadening safety net programs
- Innovative programs to build short- and long-term savings



# Short- and Longer-Term Savings Policy Solutions

- Eliminating asset limits or savings penalties
  - [ASSET Act \(S.3276\)](#)
- Encouraging saving of tax refunds
  - [Refund to Rainy Day Savings Act \(S.1018\)](#)
- Facilitating emergency savings in the workplace
  - [Strengthening Financial Security Through Short-Term Savings Accounts Act \(S.1019\)](#)
- Matched savings programs for homeownership, higher education, and entrepreneurship
  - [Assets For Independence Act](#) and [Promise Accounts Proposal](#)
- Expanding access to short- and long-term savings in the workplace
  - [Saving for the Future Act \(S.1053\)](#)

# The Saving for the Future Act (S.1053)



PROSPERITY  
**NOW**

[prosperitynow.org](http://prosperitynow.org)

**Lauren Hoeck**  
Senior Consulting Actuary  
Willis Towers Watson



Lauren Hoeck

Willis Towers Watson

lauren.hoeck@willistowerswatson.com

## 2019 Global Benefits Attitudes Survey

- Conducted July–September 2019
- Surveyed over 40,000 employees in 27 markets about their health and retirement benefits
- Representative samples of employees at medium and large private sector companies

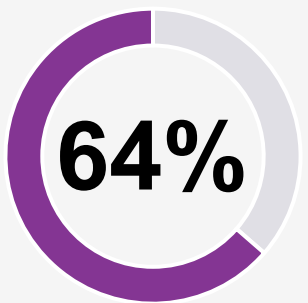
## 2020 US Defined Contribution Plan Sponsor Survey

- Conducted September 2020
- Responses from 464 plan sponsors in the U.S
- Wide range of plan asset sizes and plan sponsor industries represented

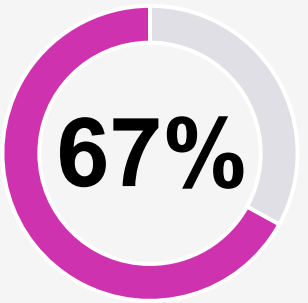
# Employees have concerns about their future financial state

Few employees think they are saving enough for retirement

My generation is likely to be much worse off in retirement than my parents' generation are/were



When I come to retire Social Security will be much less generous than it is now

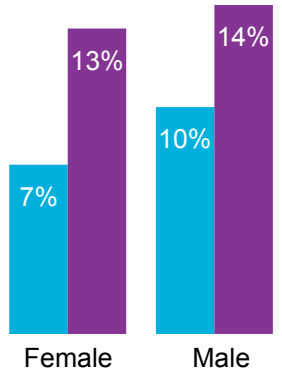


5%

The gap between the average of how much employees think they **should have saved** for retirement and how much they **actually saved**

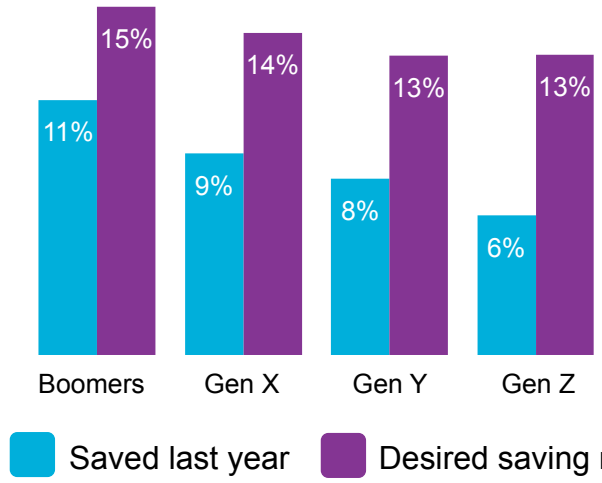
Savings rates as a percentage of income

## Gender



Gap 6% 4%

## Generations



Legend: Saved last year (blue), Desired saving rate (purple)

Gap 4% 5% 5% 7%

## Salary



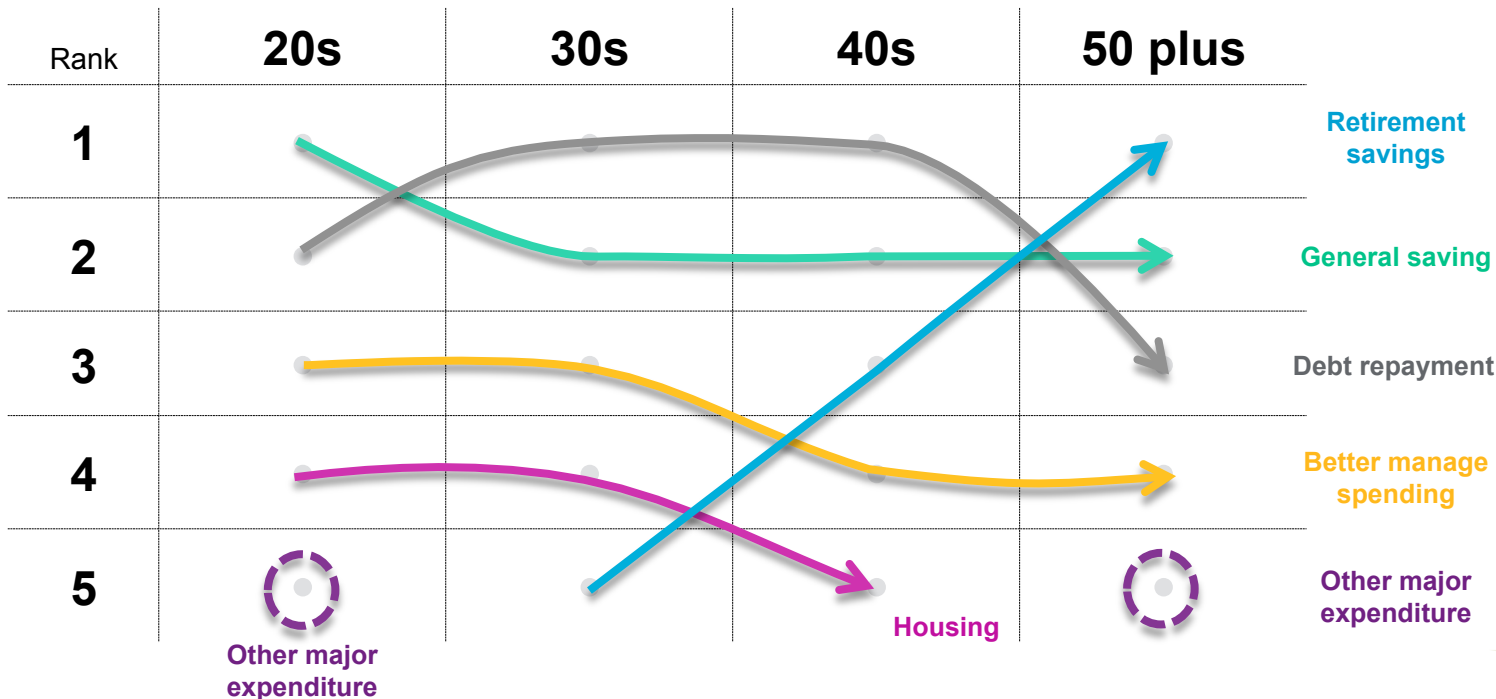
Gap 6% 5% 3%

Note: Percentage agree or strongly agree  
Sample: Full-time employees only.  
Source: 2019 Global Benefits Attitudes Survey, United States

## How can we encourage saving for retirement earlier?

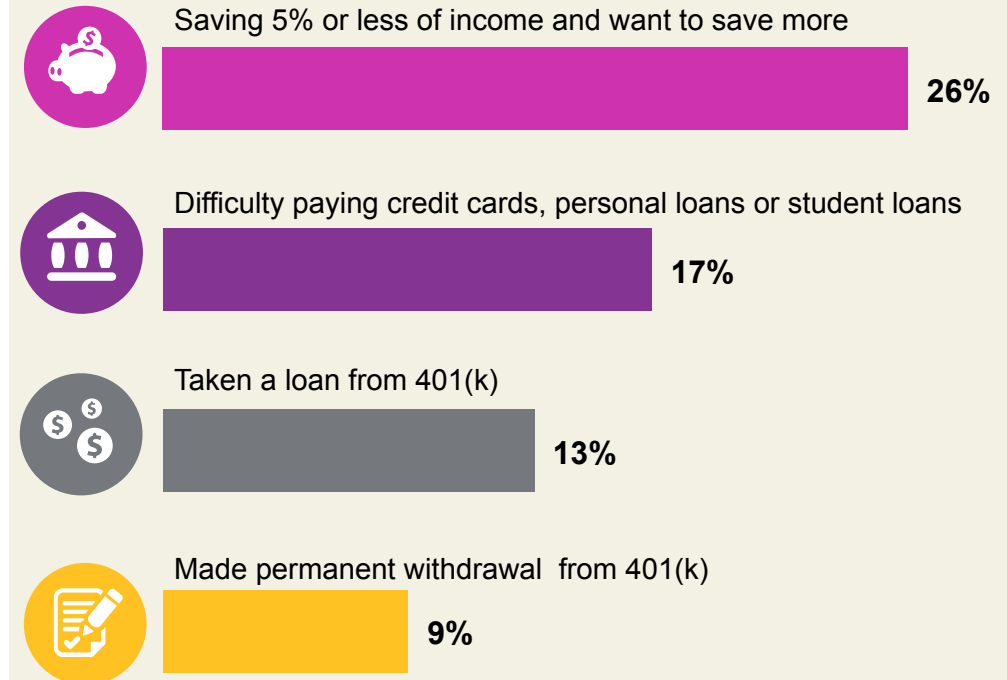
Saving for retirement is the top financial priority only for older employees

What would you say are currently your top financial priorities?



### Retirement Risks

Employees aged 50 or older



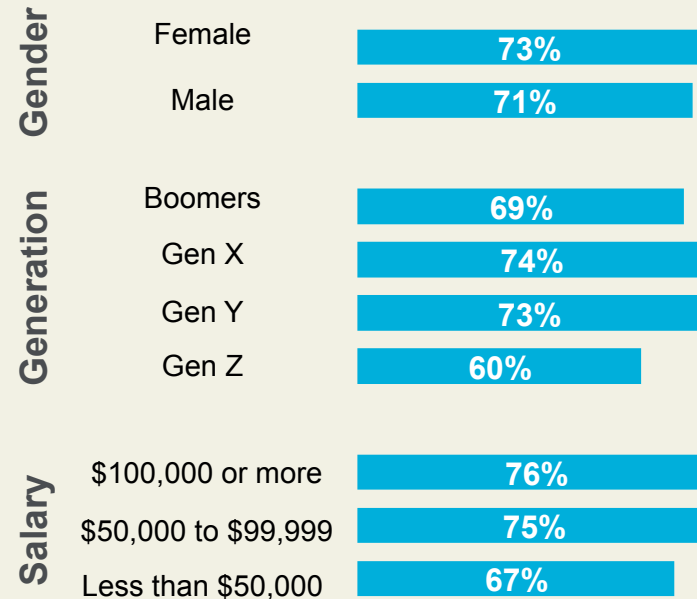
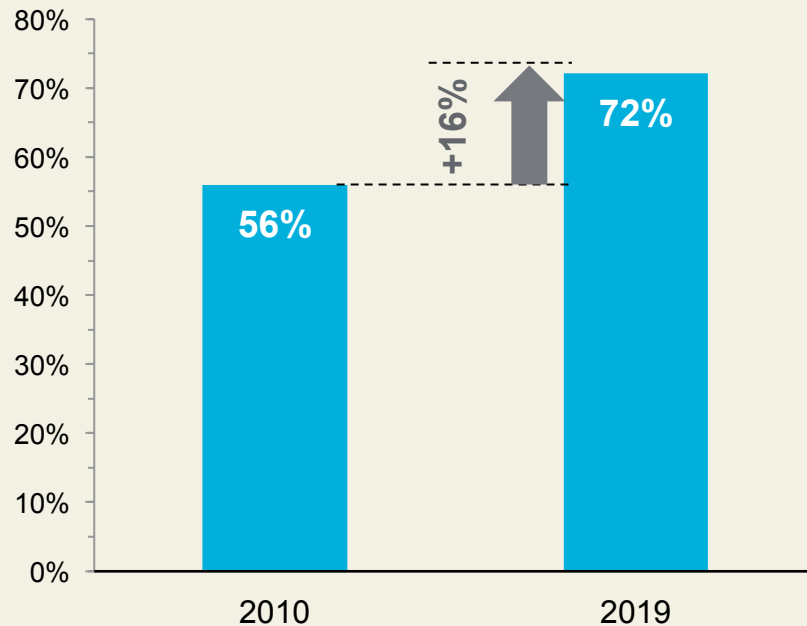
**2 in 5** employees approaching retirement are facing at least one key retirement risk

Sample: Full-time employees only.  
Source: 2019 Global Benefits Attitudes Survey, United States.

## Employer plans continue to be the foundation of employees' retirement saving

Employees across all age groups are willing to pay for more generous benefits

### My retirement plan is the primary way I save for retirement



I would be **willing to pay a higher amount** out of my pay each month for a larger, **more generous** ...

Age	... retirement benefit	... health care plan
50+	67%	38%
40s	67%	40%
30s	67%	45%
20s	65%	46%



**63%** My retirement plan is more important to me than ever before.

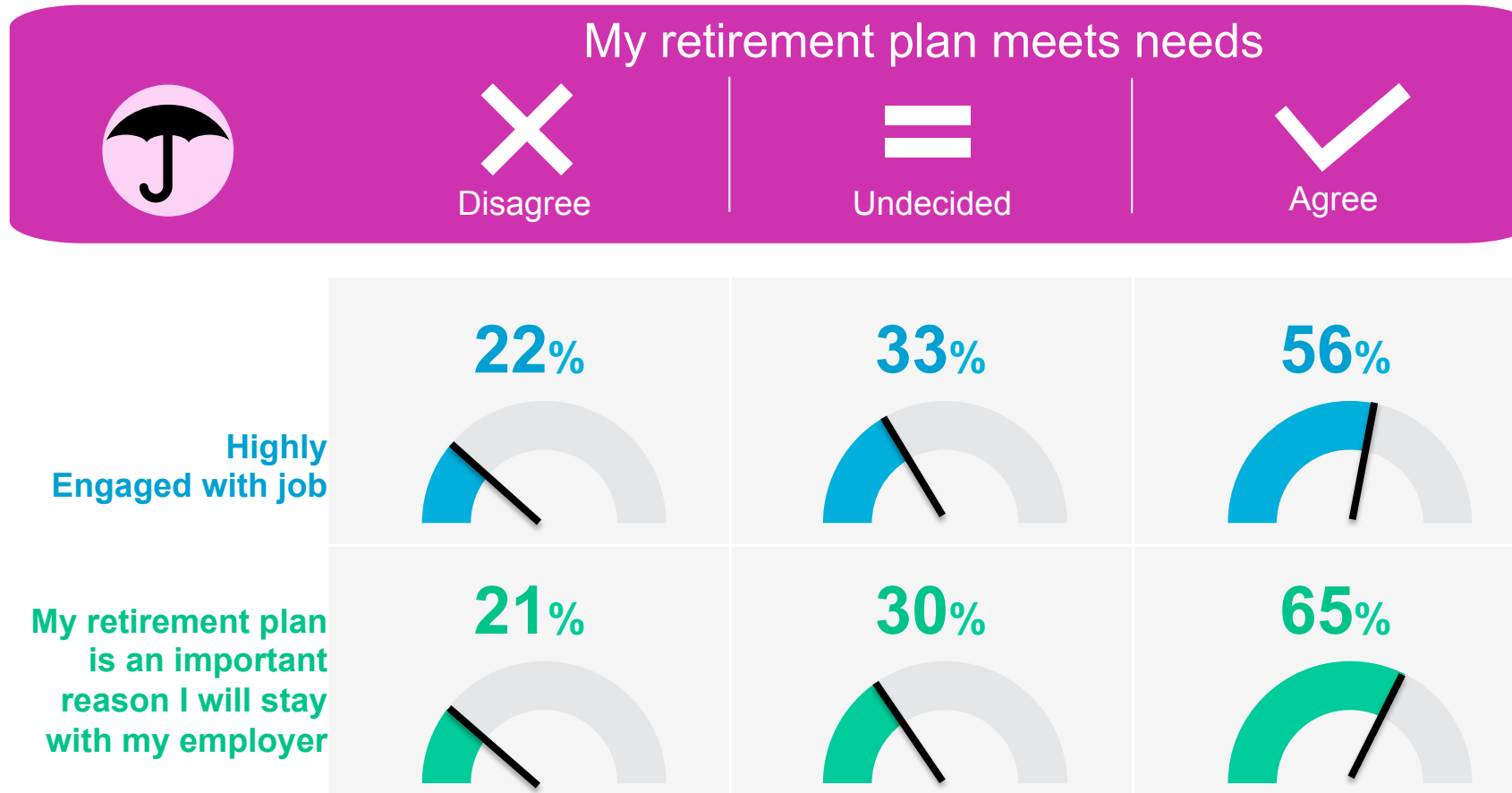
Note: Percentages indicate 'Agree' or 'Strongly agree'.

Sample: Full-time employees with an employer retirement plan and employer health care plan respectively.

Source: Several years of Global Benefits Attitudes Survey, United States

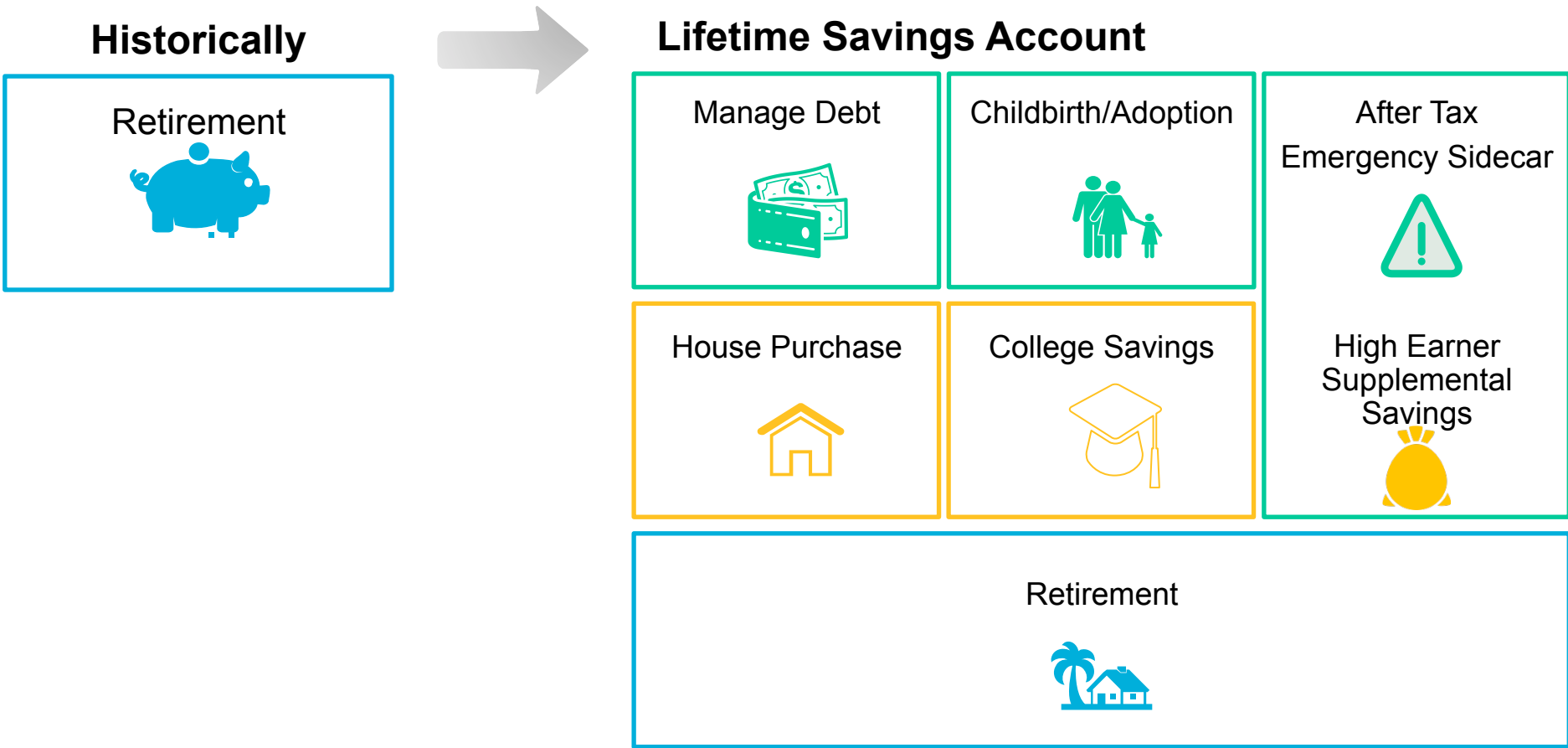
## The business case for retirement plans

Employees with plans that meet their needs are engaged with their jobs and are more likely to want to remain with their employers

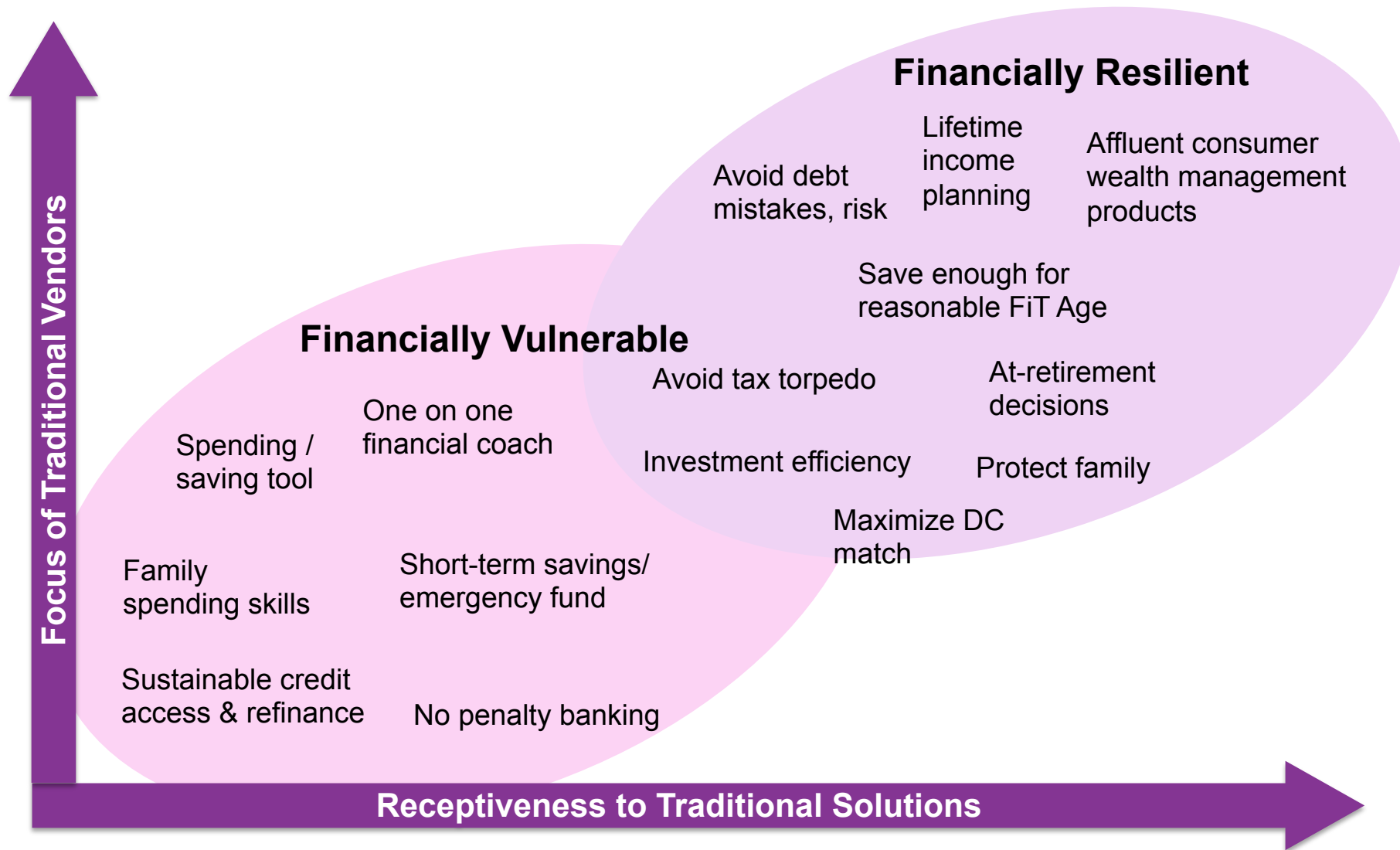


Note: Percentages indicate 'Agree' or 'Strongly agree' for 'My retirement plan is an important reason I stay with my employer'.  
Sample: Full-time employees with an employer plan  
Source: 2019 Global Benefits Attitudes Survey, United States

# Reimagined DC Plans Fit for New Purpose



## But financial wellbeing can rarely be a one-size-fits all approach...



**Mariel Beasley**

Principal

Duke University's Center for Advanced Hindsight



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# Georgetown CRI

Research from Common Cents Lab

Mariel Beasley

Co—founder, Common Cents Lab


Principal, Center for Advanced Hindsight

Duke University

Duke



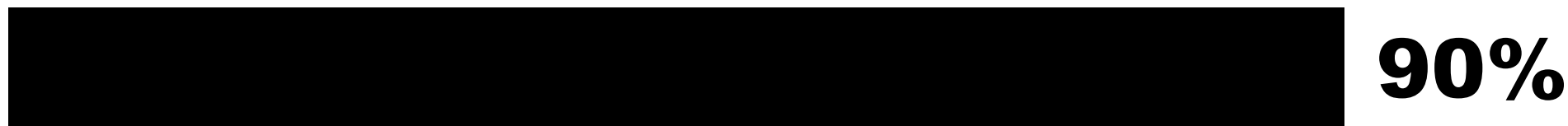
CENTER FOR  
ADVANCED HINDSIGHT  
COMMON CENTS LAB



**MAKING PEOPLE  
HAPPIER, HEALTHIER AND  
WEALTHIER  
WITH BEHAVIORAL SCIENCE  
AT HOME AND ABROAD**

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# The biggest thing to happen to America's savings rate:



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# The biggest thing to happen to America's savings rate:

## Automatic enrollment

Voluntary enrollment

34%

Automatic enrollment

90%



PROPEL  
ROBINHOOD  
PLAID  
CAPITAL  
DIGIT  
EARNUP  
KIVA  
DIGIT  
PAYABLE  
GREENPATH  
DUKE FEDERAL CU  
COMMUNITY FUND  
FUND  
SELF HELP CU  
LATINO COMMUNITY CU

HOMEBASE  
SILVERNEST  
COINFLIP  
CHIME  
DOUBLE NET PAY  
NAVICORE  
ARIVA  
URBAN UPBOUND  
BENEFICIAL STATE BANK  
ACCION  
CREDIT HUMAN  
ARIZONA FEDERAL CU  
UNITED WAY OF TUCSON  
FREEDOM FIRST

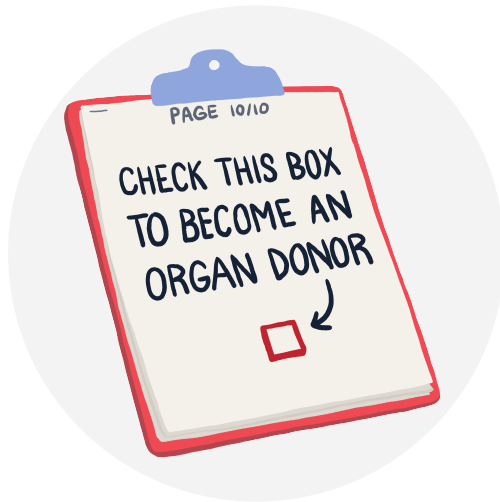
EARN  
CLARITY  
NARMI  
NETSPEND  
VERA  
UPTRUST  
KINDERGARTEN 2 COLLEGE  
DUKE FINANCIAL AID  
GRAMREEN  
ST. LOUIS HOUSING  
AUTHORITY  
IHMVCU  
LAKE TRUST CU  
REDSTONE CU

+80 Partners

+100 field experiments



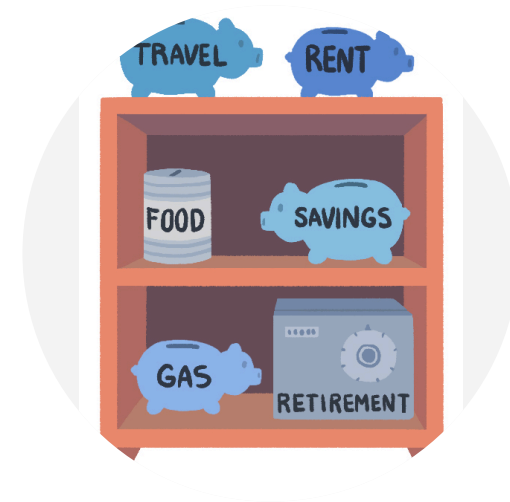
# What works?



**Defaults**



**Anchoring**



**Mental  
Accounting**

# Smart Automation & Defaults

## SIMPLE DEFAULT

**Are you currently saving for retirement?**

*No? Your new checking account comes with a retirement savings account. 3% of each deposit will be transferred to your RSA account.*

**Does that sound ok?**



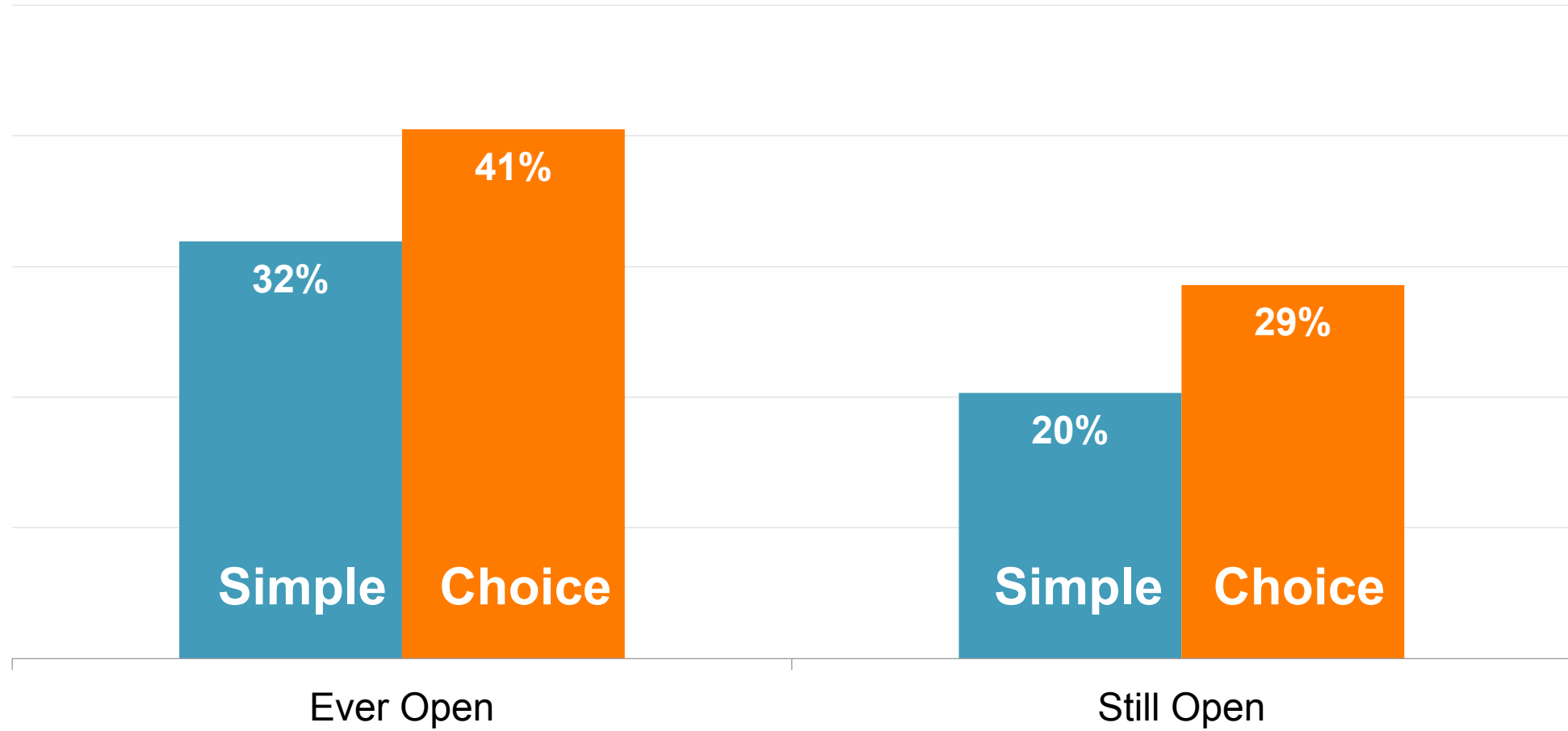
## CHOICE DEFAULT

**Are you currently saving for retirement?**

*No? Your new checking account comes with a retirement savings account. A percent of each deposit will be transferred to your RSA account.*

**Would you like 10%, 6%, or 3%?**





# Anchors & Recommendations

## SIMPLE DEFAULT

Your payment is \$250.

*\$217 is for your loan  
and \$33 goes into a  
savings account you  
can access at anytime.*

Does that sound ok?



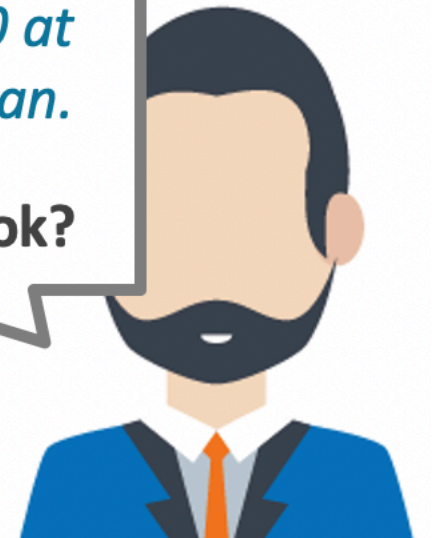
## LOSS AVERSION DEFAULT

Your payment is \$250.

*\$217 is for your loan  
and \$33 goes into a  
savings account you  
can access at anytime.*

*You'll have \$1,330 at  
the end of your loan.*

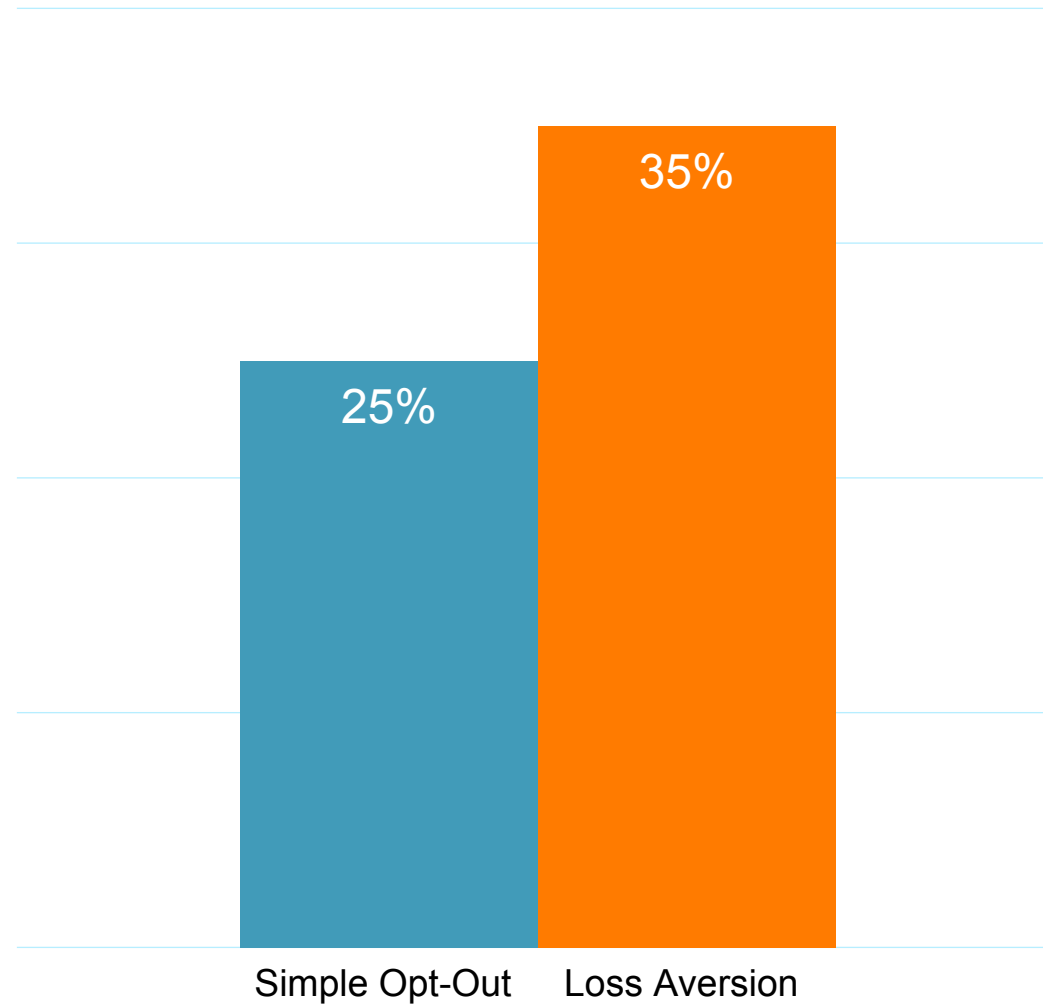
Does that sound ok?



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**~ \$19/month  
in savings**

### Percent agree to Round-up



# Decision Aids



**Patricia** worried that she couldn't afford to save.

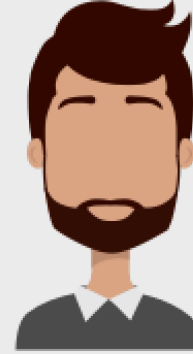
**Is she enrolled?**

☒ **Yes**

Between bills and keeping her family together, the idea of saving just felt out of reach for Patricia.

But, with OregonSaves she can save as little as 1% of her paycheck.

She can also access her savings if something comes up. She can even stop saving if she wants, which makes starting to save less stressful.



**Josh** was not able to repay his payday loan.

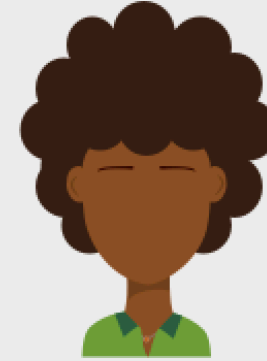
**Is he enrolled?**

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Josh had taken out a payday loan a couple of months before and was struggling to repay it.

He decided that his savings were better spent repaying that high-interest debt.

Balancing high-interest debt and saving for the future can be difficult. Fortunately, Josh can start saving with OregonSaves as soon as he is ready.



**Madeline** was looking for a new job.

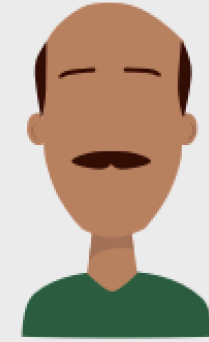
**Is she enrolled?**

☒ **Yes**

Madeline was switching careers when she was offered a chance to start saving.

Fortunately, the OregonSaves account is portable, meaning she can easily take her money with her when she starts her new job.

Her account can also be rolled into a 401(k), if her new employer offers one.



**Gustavo** hadn't started saving for retirement.

**Is he enrolled?**

☒ **Yes**


Gustavo had put off saving for retirement for years. When OregonSaves came along, he felt bad at first that he hadn't started when he was younger.

It is never too late to start saving.

Gustavo decided to give it a shot anyways. Even if he puts away just a little bit, that will be a big help later.



# Decision Aids

 Enrollment  
from 78% to  
80%

At scale,  
additional  
**100,000**  
employees saving  
in Oregon.



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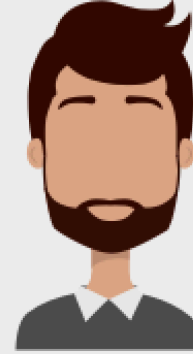
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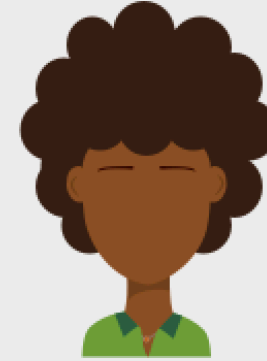
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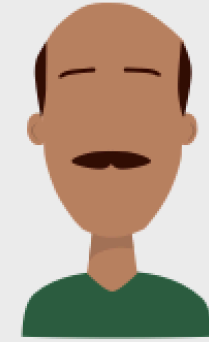
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# Big take-aways

1. Most people already *want* to save – you don't have to convince them it's important.
2. The ease of process is possibly more important than the product.
3. Time contributions to moments when people won't miss the money.
4. Additional information, when framed well, can have outsized impacts.

# Common Cents Lab is supported by:



## Founding Partner

At MetLife Foundation, we believe financial health belongs to everyone. We bring together bold solutions, deep financial expertise and meaningful grants to build financial health for people and communities that are underserved and aspire for more. We partner with organizations around the world to create financial health solutions and build stronger communities, engaging MetLife employees to help drive impact. To date, our financial health work has reached more than 6 million low-income individuals in 42 countries.

To learn more about MetLife Foundation, visit [metlife.org](https://www.metlife.org).



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# Duke



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# ROLE RETIREMENT SAVINGS BUILDING RESILIENCE AND FINANCIAL WELL-BEING

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# Purpose, risks and challenges facing retirement savings

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- Retirement savings: make sure people have resources to finance retirement
- Investment risk (shocks before retirement (financial markets fall like 2008 and Feb-March with COVID-19)), and longevity risk (outliving one's resources)
- Population ageing, and low growth and low returns, already creating problems: same savings (contributions), same contribution period (number of years contributing), lower annual retirement income
  - Same total retirement income (retirement income or pension wealth) to cover a longer period
  - Same contribution will fetch lower accumulated savings because investment will return less, unless riskier investments, but higher risk of falling short of retirement needs.



# New challenges facing retirement savings

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- New risks: financial needs due to the economic impact of the pandemic  
=> **access to retirement savings** => less retirement savings tomorrow (less assets, reduction in compound interest earned, liquidity needs and less long-term investment)
- A lower capability to contribute to retirement savings plans from individuals (wages reduced or lose their jobs), and from employers (financial distress) => **lower savings**, lower future retirement income (adequacy problems?)
- An other challenges:





# Challenges and policies (guidelines)

Decrease value of assets in retirement savings accounts from falling financial markets

- **Stay the course: limit the materialisation of investment losses** (e.g. communicating consequences)

Increase liabilities from falling interest rates in retirement savings arrangements with promises

- **Secure the solvency of retirement plans and the business of providers** (e.g. lengthening recovery periods of DB plans failing to meet funding requirements)

Lower capability to contribute by individuals (job losses, lower wages) and employers

- **Stay the course: continue contributing** (subsidising contributions)

Operational disruptions, working remotely

- **Address operational disruptions** (e.g. improving online procedures)

Cyber-attacks, frauds and scams

- **Protect from scams and cyber attacks** (e.g. warning plan members and giving them tips to avoid them)

Reduction savings and compound interest earned from policy measures to provide short-term relief

- **Access to retirement savings measure of last resort and based on individual specific (hardship) circumstances**



# Guidelines, responses and countries

✓ **Limit the materialisation of investment losses**  
(e.g. communicating the consequences short-term losses, of switches and withdrawals)

• Australia, Canada, Colombia, Chile, Germany, Hungary, Latvia, Mexico, New Zealand, United Kingdom, United States

✓ **Secure the solvency of retirement plans and the business of providers**  
(e.g. lengthening recovery periods of DB plans failing to meet funding requirements)

• 29 OECD countries + Croatia, Kazakhstan, Kenya, Mauritius

✓ **Subsidise contributions**  
(e.g. providing wage subsidies covering pension contributions)

• Iceland, Netherlands, New Zealand, North Macedonia, Slovak Rep., Sweden, Switzerland, United Kingdom

✓ **Address operational disruptions**  
(e.g. improving online procedures)

• Most OECD countries

✓ **Protect from scams and cyber attacks**  
(e.g. warning plan members and giving them tips to avoid them)

• Australia, Austria, Luxembourg, Mauritius, New Zealand, Slovenia, Sweden, United Kingdom

✗ **Provide short-term relief with potential long-term risks**  
(e.g. facilitating early access to retirement savings)

• Australia, Belgium, Canada, Chile, Colombia, Denmark, Estonia, Finland, France, Iceland, Peru, Portugal, Slovak Rep., Spain, United Kingdom, United States



# Guidelines to strengthen retirement savings

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- Allow access to retirement savings as a measure of last resort and based on individual specific exceptional circumstances. Retirement pots are to finance retirement. Accessing retirement savings could lead to materialising temporary asset values losses, liquidity and investment management problems to pensions funds, and, more importantly to retirement income adequacy shortfalls. Current regulatory frameworks already allow for tapping retirement savings in exceptional circumstances when substantial income losses occur
- Maintain programs subsidizing wages and contributions. The pandemic is an external shock to the entire economy



# Strengthen the resilience in retirement savings going forward

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- Automatic features, default options, simple information and choice, financial incentives and financial education lead to better retirement outcomes
- Mechanisms such as automatic enrolment and escalation of contributions can harness inertia to make pension systems more inclusive and help increase contribution levels
- People unable, or unwilling, to choose a contribution rate, a pension provider, an investment strategy or a post-retirement product, may benefit from default options
- There are also other tools to help with decision making, including: web applications, limiting options and making comparisons easier, and financial incentives. Pension statements can convey key information simply, while financial education seminars and financial advice can help people understand the information.



# Strengthen the resilience in retirement savings going forward

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- COVID-19 highlights: People need savings for emergency situations
- A few countries have more than one long-term saving account.
  - They have a retirement saving account (no access)
  - A emergency savings account (access under exceptional circumstances)
- Contributions split between the two. Balances not used at retirement end in the final retirement pot.
- Calls on 'How best to' invest assets earmarked for retirement to assist on the recovery, ESG, infrastructure, technology development
- By all means, they should invest, but not on whatever, in those investment opportunities that maximise retirement savings adjusted by risk and fees and charges

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