

# Insights on the Future of US Retirement Challenges

## 2019 Transatlantic Conference

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National Institute on Retirement Security

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# About

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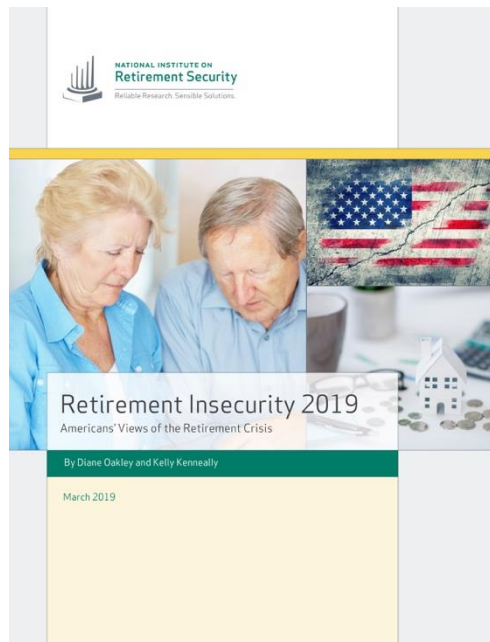
**The National Institute on Retirement Security** is a non-profit, non-partisan organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers and the economy.

Located in Washington, D.C., NIRS' diverse membership includes financial services firms, employee benefit plans, trade associations, and other retirement service providers.



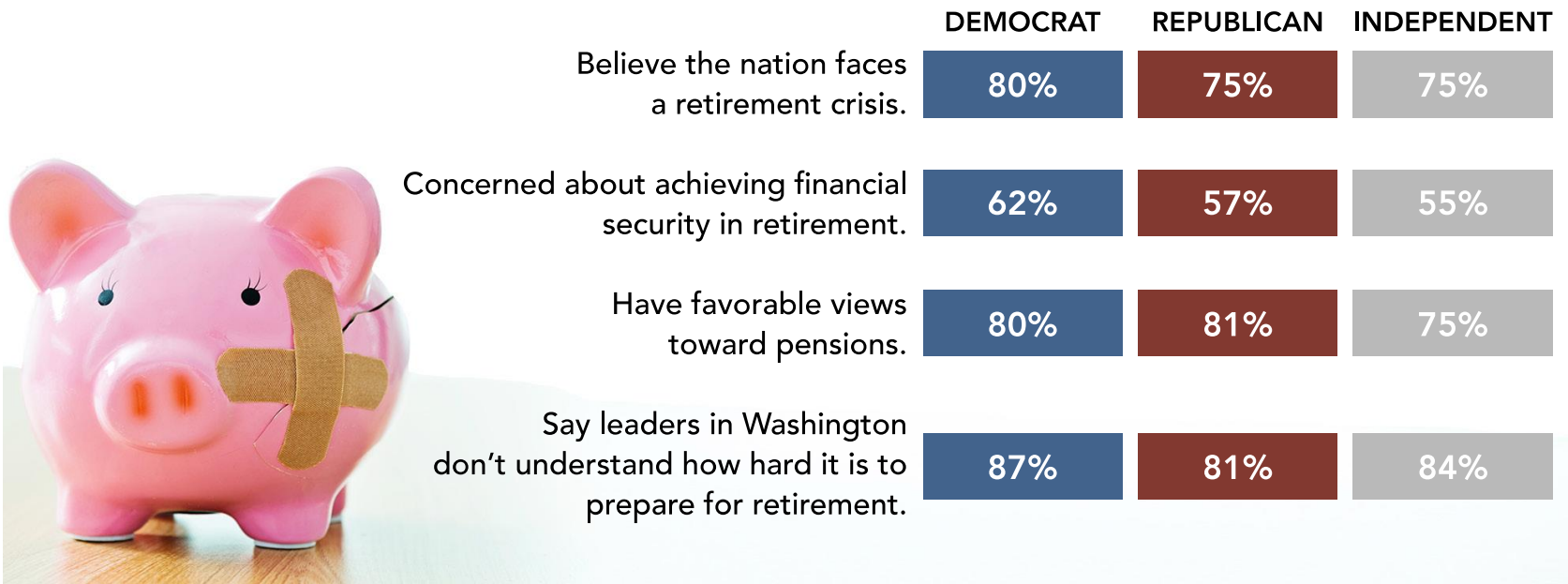
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# Americans' Views on Retirement



# Americans Are Worried About Retirement

Americans are united in their sentiment about retirement.



Source: NIRS Retirement Insecurity 2019: Americans' Views of the Retirement Crisis:  
[https://www.nirsonline.org/wp-content/uploads/2019/02/OpinionResearch\\_final-1.pdf](https://www.nirsonline.org/wp-content/uploads/2019/02/OpinionResearch_final-1.pdf)

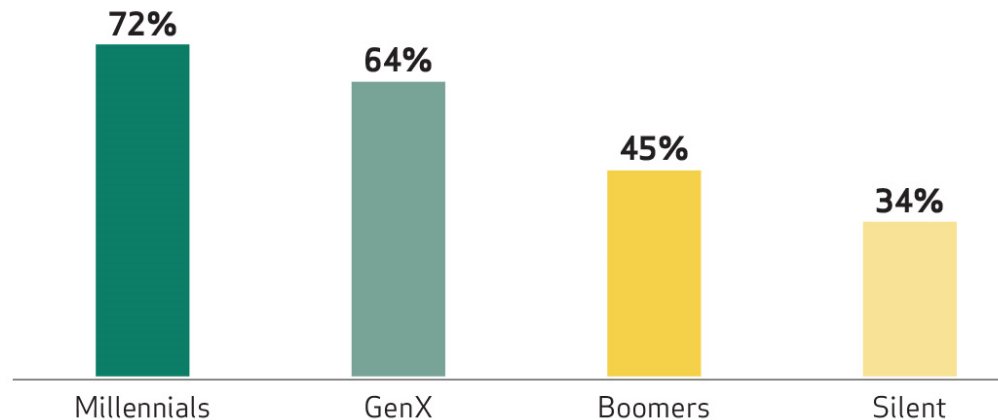


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# Millennials Have Highest Concern Even Though Retirement In Distant Future

Figure 40: **Millennials are more concerned than other generations about achieving financial security in retirement.**

How concerned are you that you won't be able to achieve a financially secure retirement?



Source: NIRS Retirement Insecurity 2019: Americans' Views of the Retirement Crisis: [https://www.nirsonline.org/wp-content/uploads/2019/02/OpinionResearch\\_final-1.pdf](https://www.nirsonline.org/wp-content/uploads/2019/02/OpinionResearch_final-1.pdf)



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# Are Millennials Fundamentally Different?



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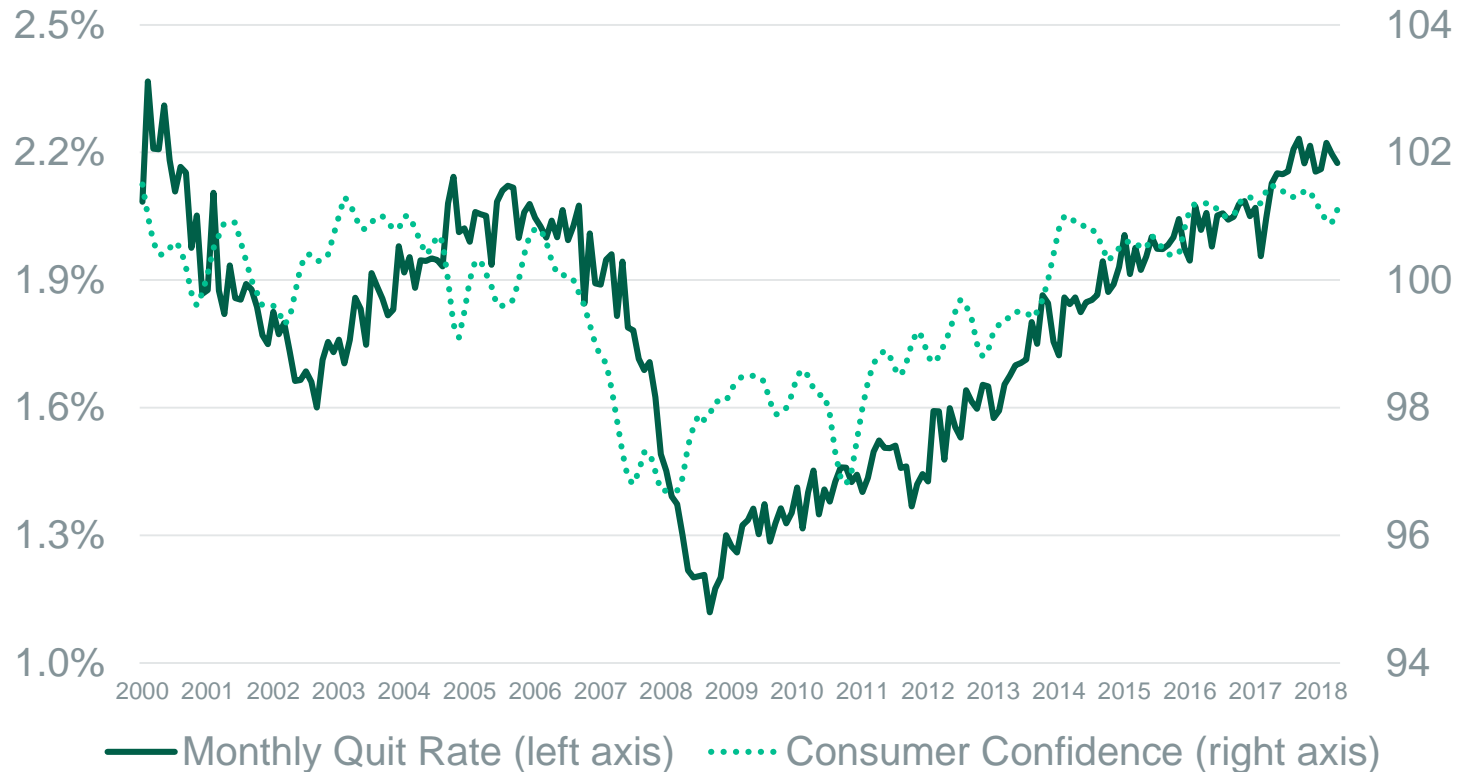
# Is the Job-Hopping Label Fair?

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- Gallup vs. Pew
- Job quits have been rising, but is it?
  - Tied to the business cycle
  - Function of age
  - Workplace culture: Loyalty, at will employment and union concentration
  - Millennials twice as likely to be part-time
- If they do prove to be different, a chicken vs. egg dilemma emerges?



# Voluntary Job Separations: Seasonal or Trending-up?



Sources: Quits: BLS, Jolts series JTS00000000QUL, Workforce: BLS, CPS series LNS12000000, Consumer Confidence Index: OECD CCI at <https://data.oecd.org/leadind/consumer-confidence-index-cci.htm>



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# **Millennials Retirement Challenge:**

## **Increasing Needs & Waning Effort**



# Retirement Needs Increasing for Younger Generations

## Private Needs by Current Age and Pay

Retirement Age 67

While 11.1 times pay is a useful overall benchmark, current income and current age affect retirement needs. Income affects private needs primarily because of the amount of income Social Security replaces, taxation differences, and medical costs, which are typically a much larger proportion of spending for lower-income individuals. Needs vary by age because health care costs are growing faster than salaries are expected to increase and life expectancies are rising.



Source: AON's The Real Deal Research at:  
<https://www.aon.com/getmedia/59c14111-6414-46a4-adbb-0dba9e0e8676/Aon-Retirement-Solutions-The-Real-Deal-Full-Report-US-2018.aspx>



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# Key Trends Driving Higher Income Targets

- Health Costs outpacing wage growth
  - Fidelity says \$285,000 needed for couple, which is about 19 years of average Social Security benefits
- Social Security cuts still phasing-in
- Longevity increasing
- Long-term care is out of reach for many families, thus Medicaid is key provider
  - More will need it, likely for longer stretches



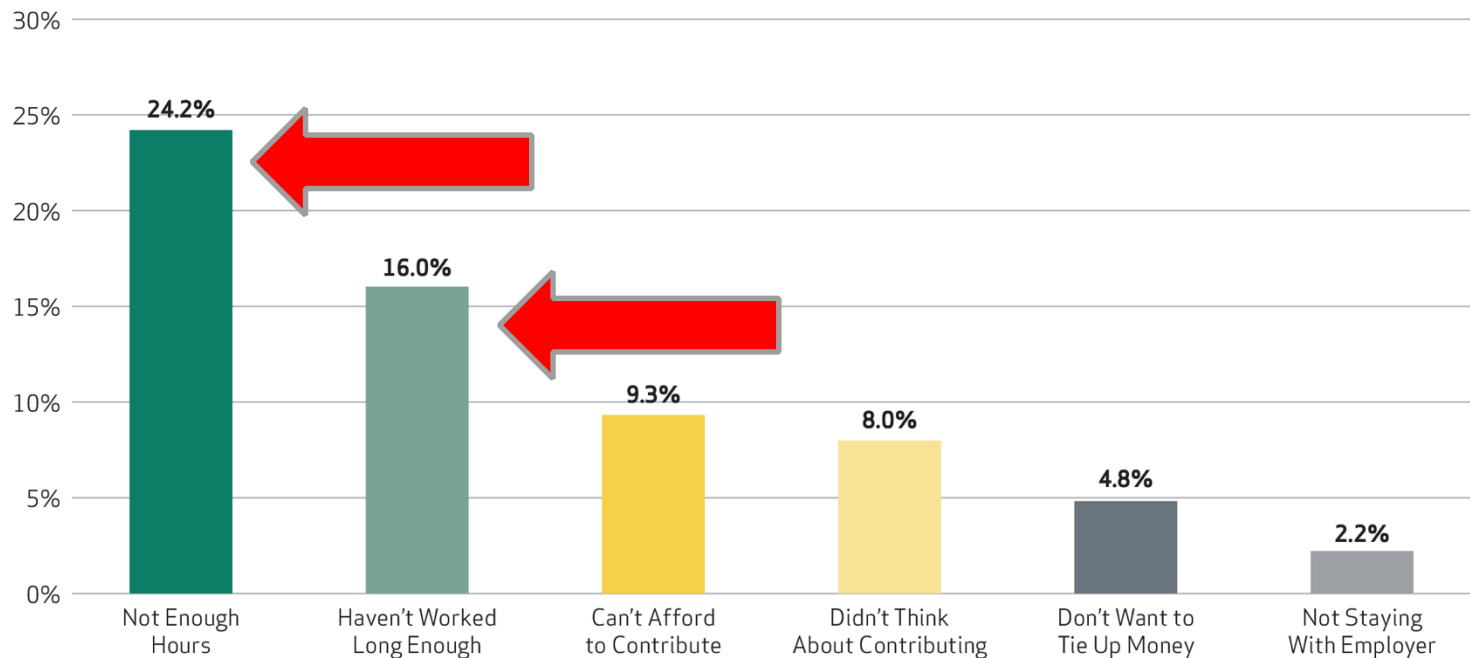
# Income Trends Moving in Wrong Direction

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- Debates about *managing legacy costs* often lead to *cuts for the next generation*.
- Thus, younger generations face:
  - less access to workplace plans,
  - often lower employer inputs, and
  - resources are put into plans that are less efficient, and which generally provide less security.
- Workforce Structures



# 40% of Millennials Cite Retirement Plan Eligibility As Reason for Not Participating

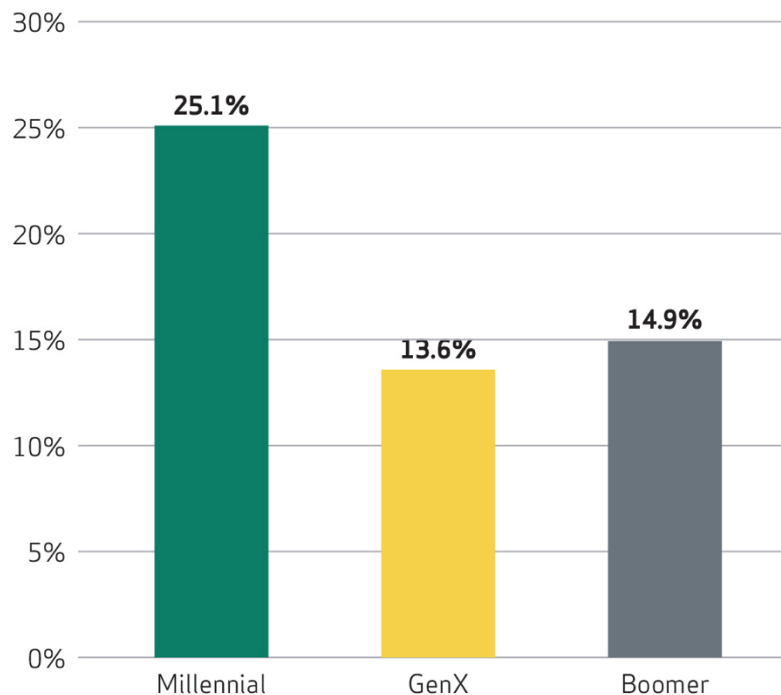


Source: Author's calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.



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# Millennials Employed As Part-Time Employees At 2X Rate of Previous Generations



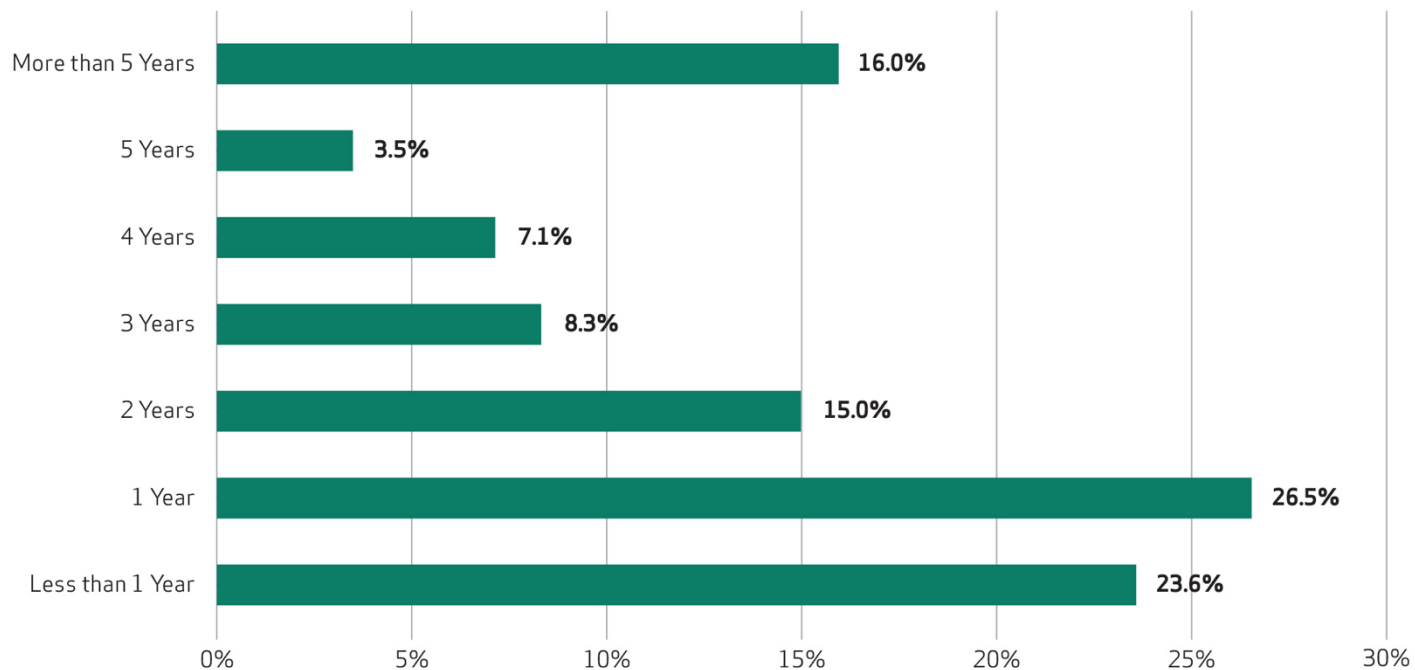
The higher rate of part-time employment by Millennials is a large factor in their lower eligibility for employer-sponsored plans.

Source: Author's calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.



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# More than ½ of Millennials Have 1 Year or Less Tenure With Current Employer



Source: Author's calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.



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# Key Factors Affect Likelihood of Pension Coverage in Workplace

1. Employer Size (>500 EE's 56% / <100EE's 12%)
2. Represented by a Union (80%/18%)
3. Public vs. Private (S&L 86%/ Private17%)
4. Sectors: i.e. Service vs. Manufacturing

➔ *68% of private sector union workers have access to a DB*

Source: Bureau of Labor Statistics, Employee Benefit Survey:  
[https://www.bls.gov/ncs/ebs/benefits/2018/benefits\\_retirement.htm](https://www.bls.gov/ncs/ebs/benefits/2018/benefits_retirement.htm)



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# Are We Preparing Adequately for Retirement?

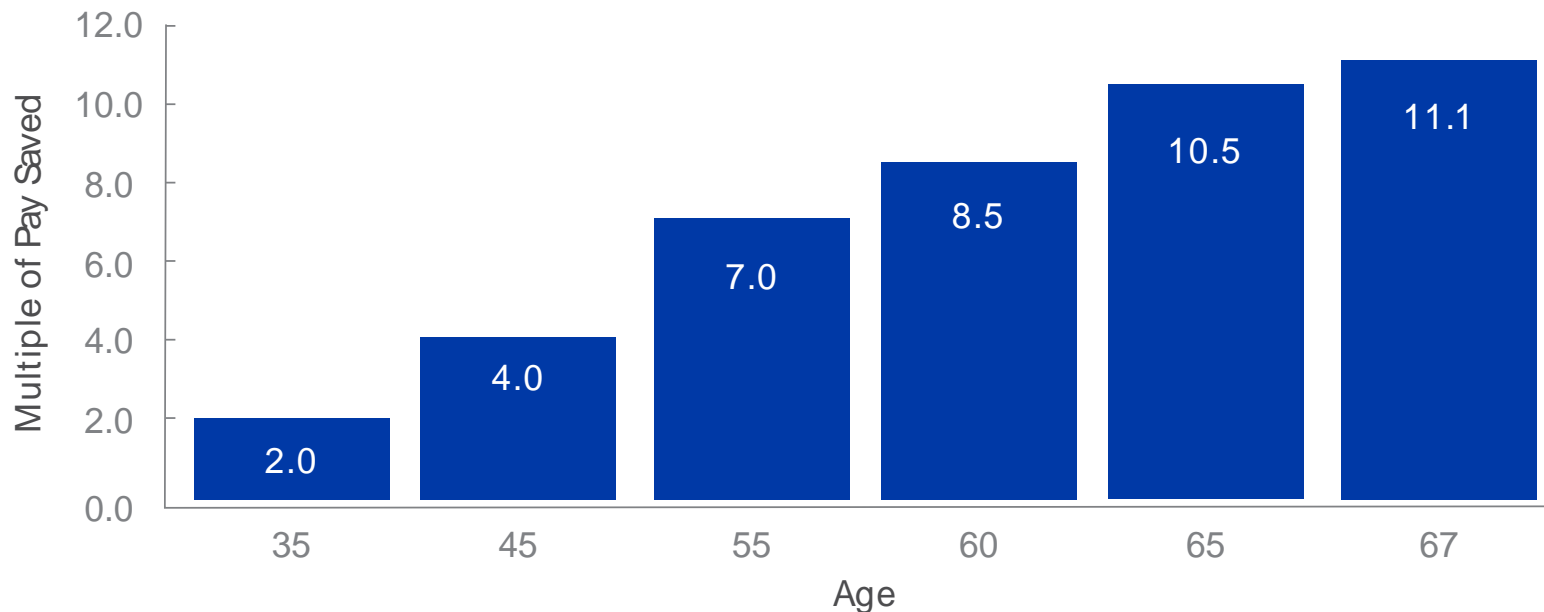


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# Retirement Readiness Checkpoints

## Get on Track!

*The average employee needs to accumulate 11.1 times pay by age 67 to maintain their preretirement standard of living throughout retirement (after Social Security). It is helpful to show employees savings milestones throughout their career.*



Source: AON's The Real Deal Research at:  
<https://www.aon.com/getmedia/5309615e-7d8f-4ef6-81e8-851c3dba4acf/Aon-Retirement-Solutions-The-Real-Deal-Research-Report-US-2018.aspx>

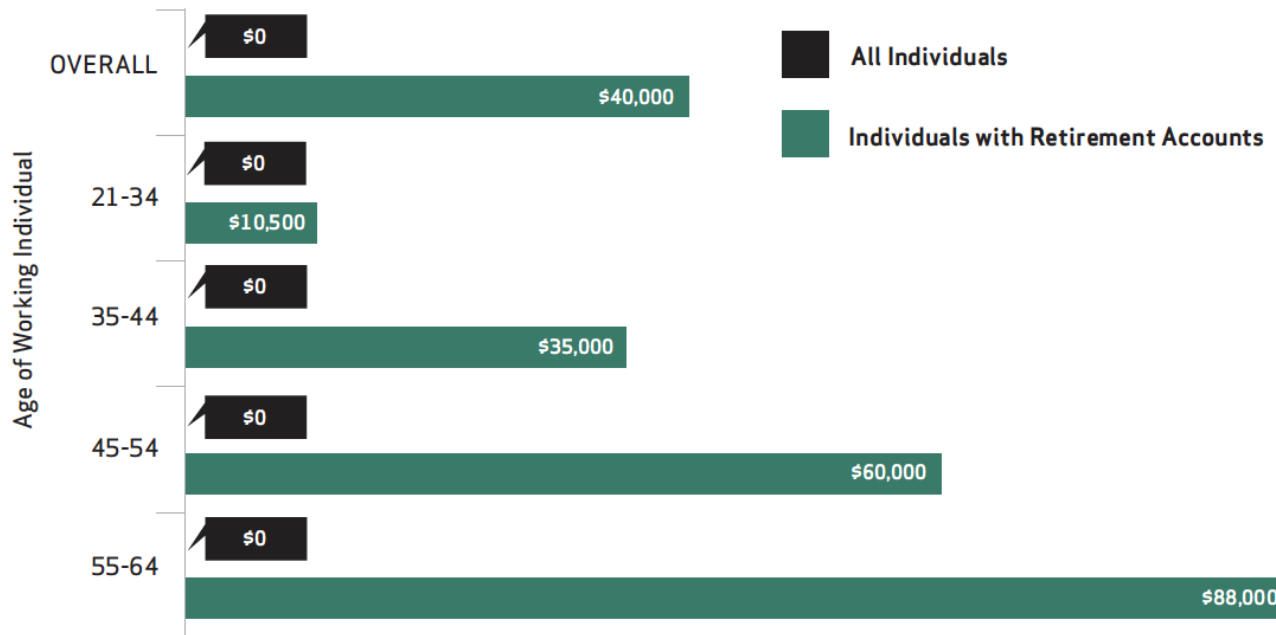


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# Americans Not Saving Enough to Replace Pension Income

Figure 7: **Typical Working Age Individual Has \$0 in Retirement Account Assets; Among Individuals with Positive Retirement Accounts, the Median Balance is \$40,000**

Median retirement account balance of working age individuals with positive retirement account balances versus median account balances for all working age individuals



Source: NIRS Retirement in America | Out of Reach for Most Americans? at: [https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis\\_Final.pdf](https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis_Final.pdf)

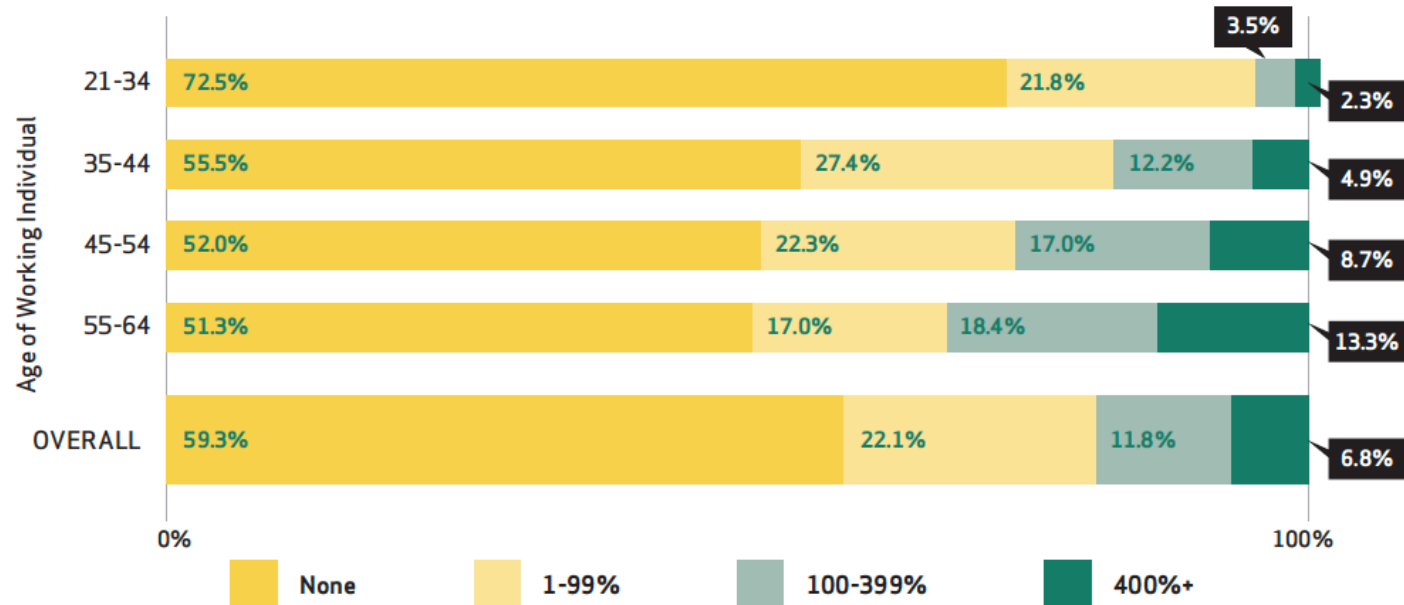


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# Savings Not on Course

**Figure 8: Four out of Five Working Age Individuals Have Retirement Savings Less than One Times Annual Income**

Retirement account balance as a percentage of income of individuals, age 21-64, in 2013



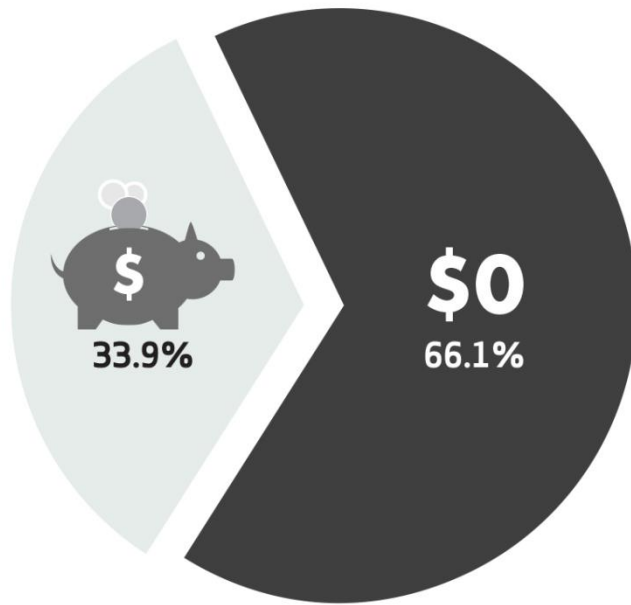
Source: Authors' analysis of SIPP 2014, Wave 1 data.

Source: NIRS Retirement in America | Out of Reach for Most Americans? at: [https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis\\_Final.pdf](https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis_Final.pdf)

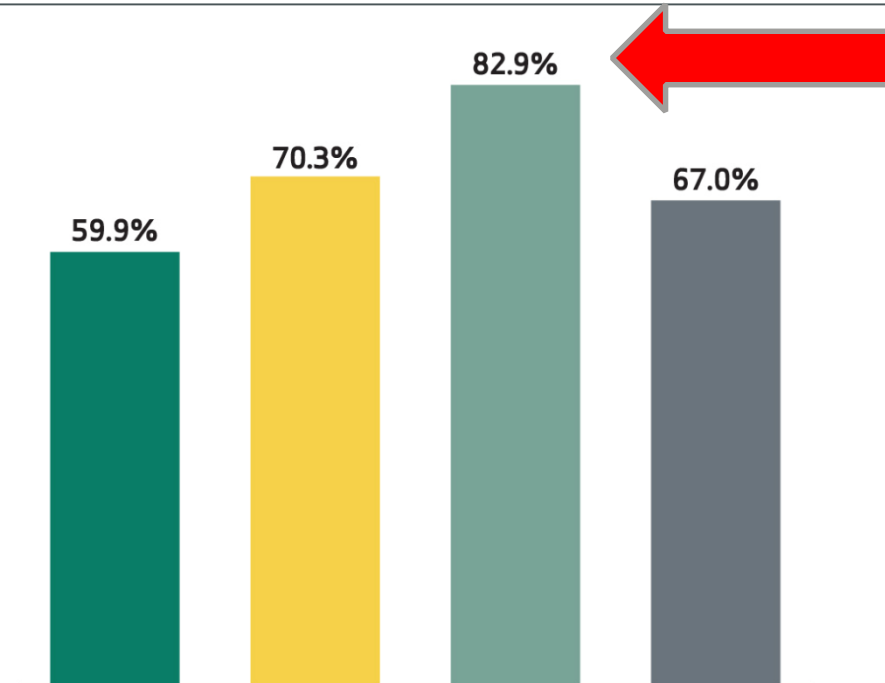


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# 2/3 Working Millennials and 4/5 Latinos Have Nothing Saved For Retirement



All Working Millenials



Millenials With No Savings

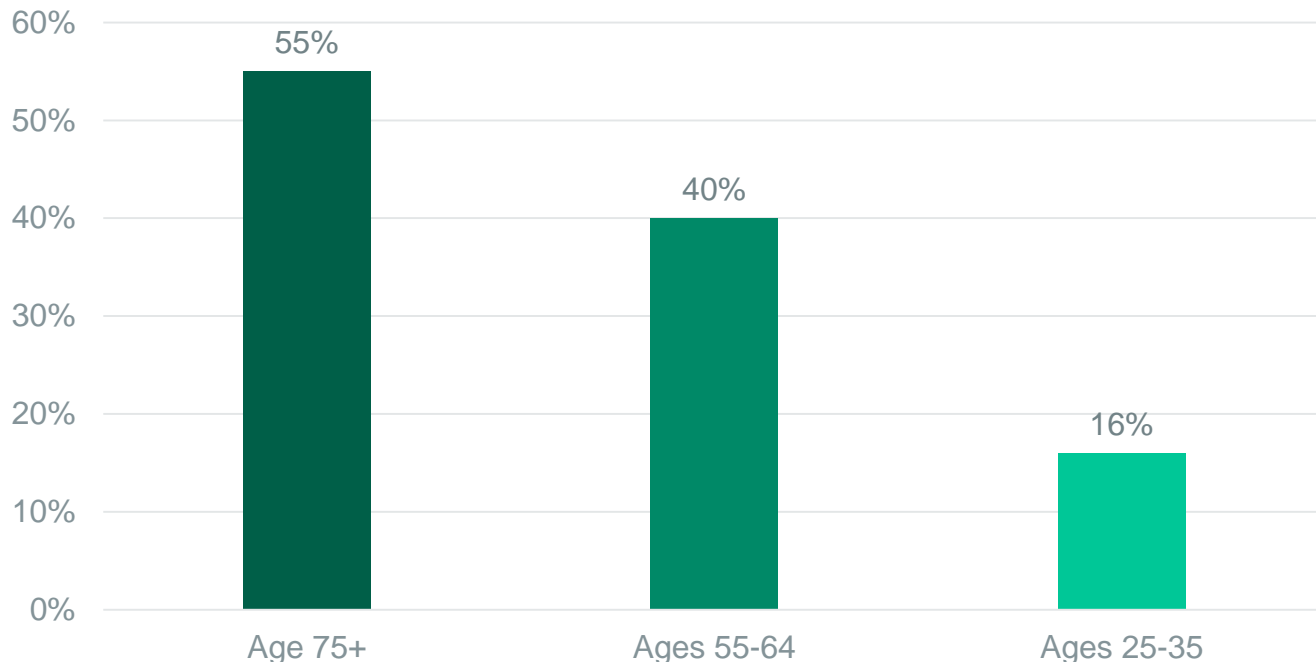
Source: Author's calculations using 2014 Survey of Income and Program and Participation SSA Supplement Data.



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# Haven't Experienced Consequences of Closing Pensions Yet

## Percentage of Households with Access to DB Plans



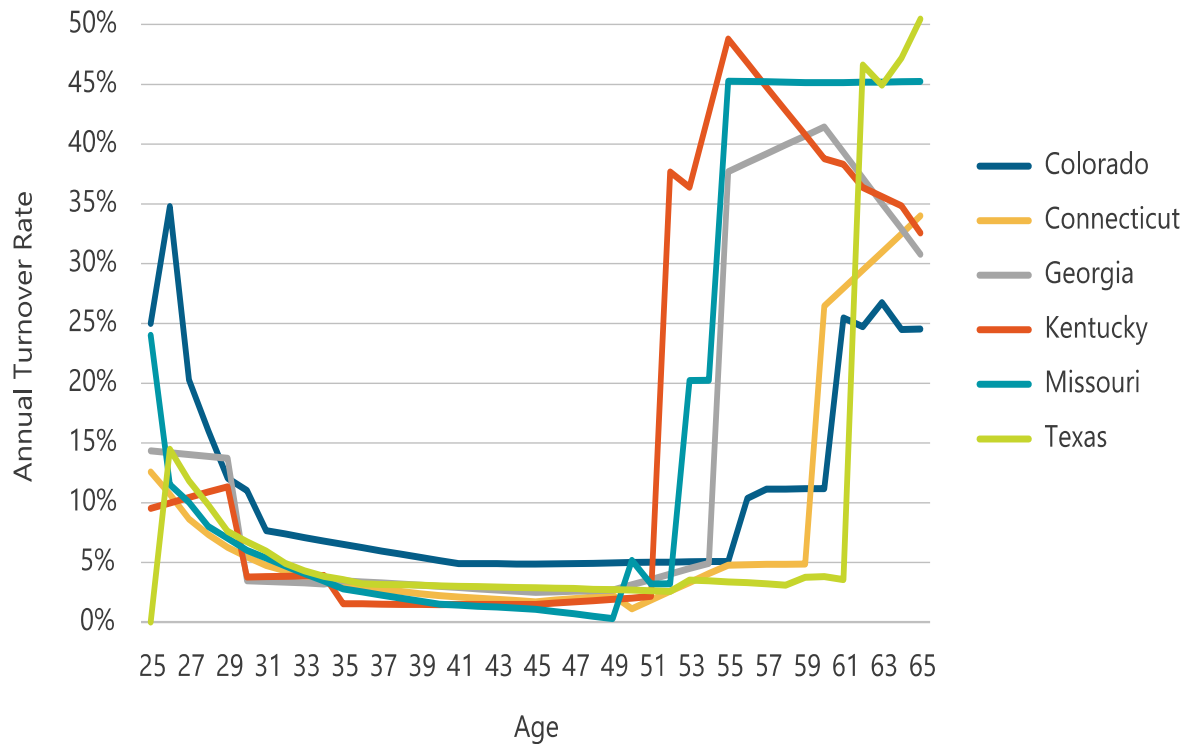
Sources: GAO-15-419: <https://www.gao.gov/assets/680/670153.pdf>; Brookings, How Will Retirement Saving Change by 2050?: <https://www.brookings.edu/wp-content/uploads/2019/03/How-Will-Retirement-Saving-Change-by-2050.docx.pdf>



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# Pensions Help Deliver Strong Mid-Career Retention

Figure 3  
Annual Turnover Rates for Teachers Hired at Age 25



Source: Teacher Pensions Vs. 401k's in Six States: <https://www.nirsonline.org/reports/teacher-pensions-vs-401k/>



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# Questions?



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