

Ever Wanted to Ask an Economist About Retirement?

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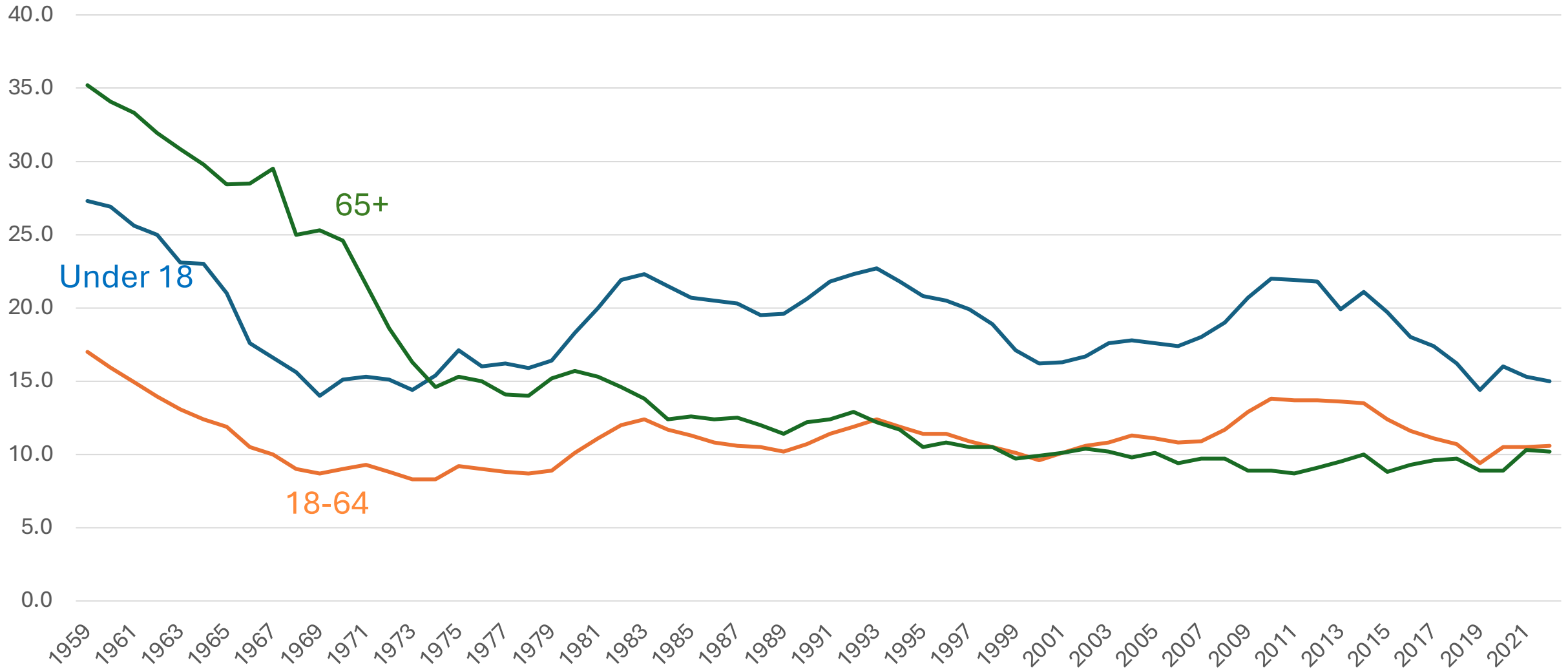
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National Institute on Retirement Security

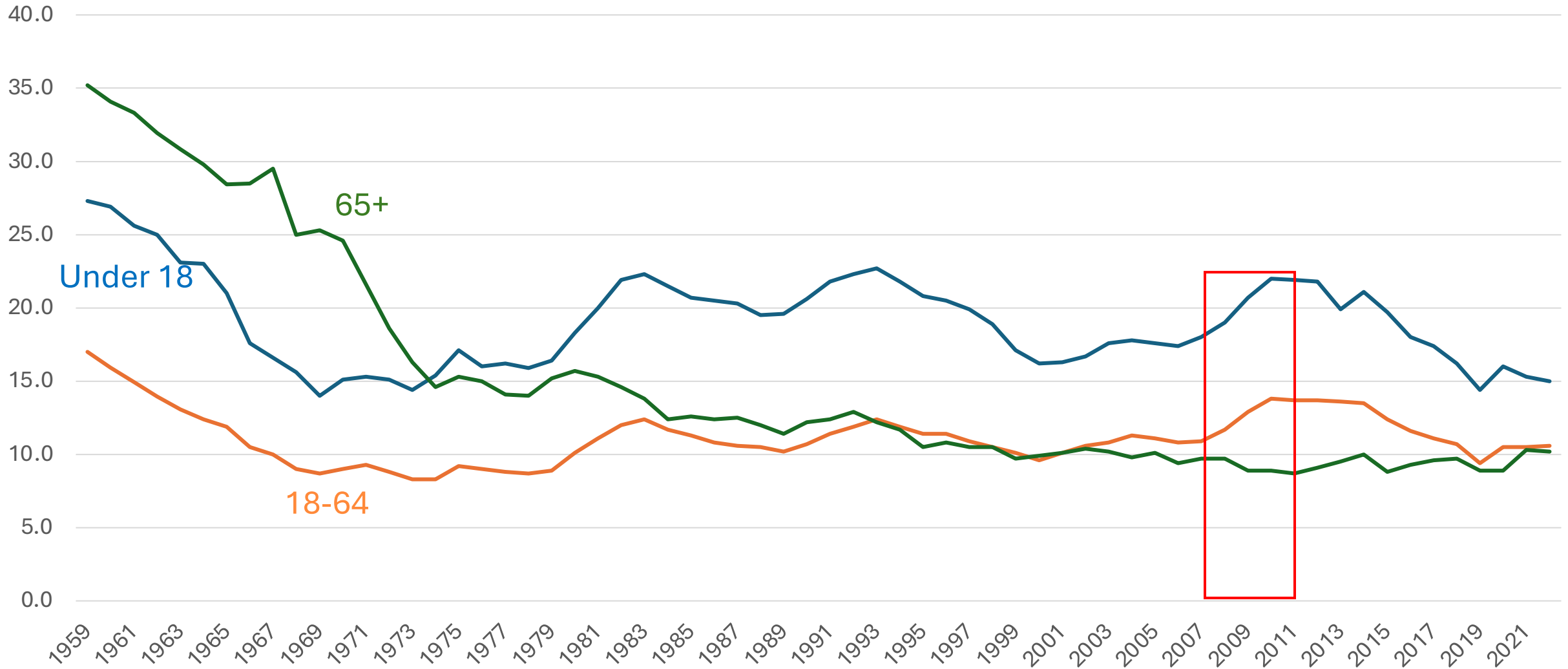
My lens

- Economic security in retirement is “the report card”, a cumulative and comprehensive performance measure of an individual’s economic experience
 - Reflects the economy over their working life
 - Reflects public policy over their working life

Official Poverty Rates – by Age



Official Poverty Rates – by Age



Retirement Today

1. What is going on with Social Security?
2. What is going on with retirement savings?

Social Security

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- Common misunderstanding:
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- Common misunderstanding:
 - It is driven by population issues because Social Security's sustainability is built on population **wage** growth
 - Population changes were forecast by Social Security, wage inequality was not

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How do we know there's a shortfall?

Social Security's Office of the Actuary projects the financial solvency of the program over 75 years. To do this, it has to make assumptions about income and benefits, which it does through:

- Life expectancy at age 65
- Fertility rate
- Economic growth
- Wage growth

Those feed into summary measures:

- The dependency ratio
- The taxable earnings ratio

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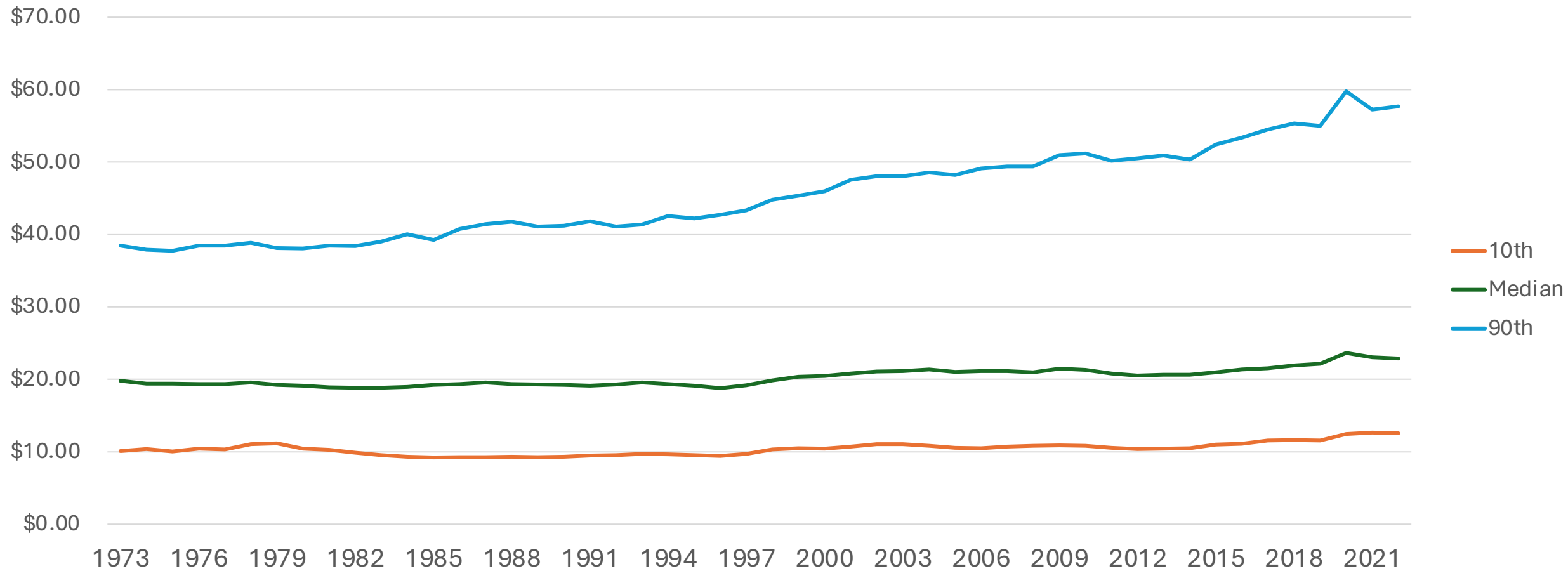
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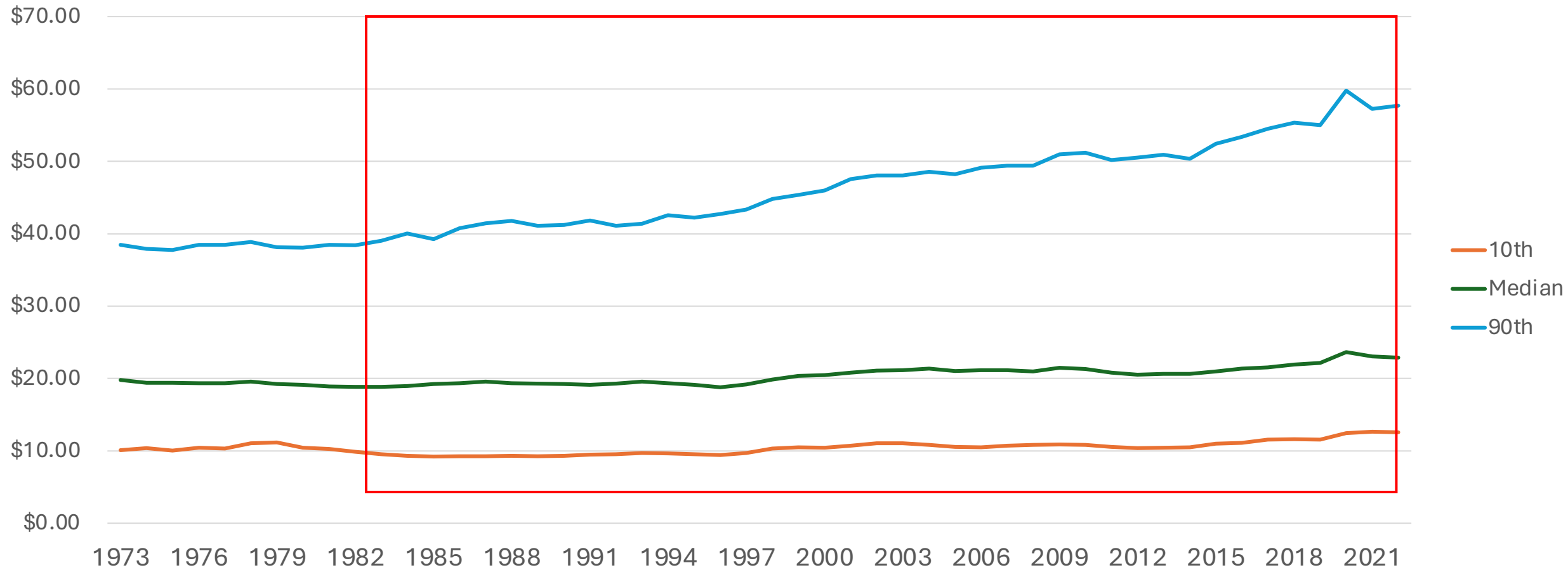
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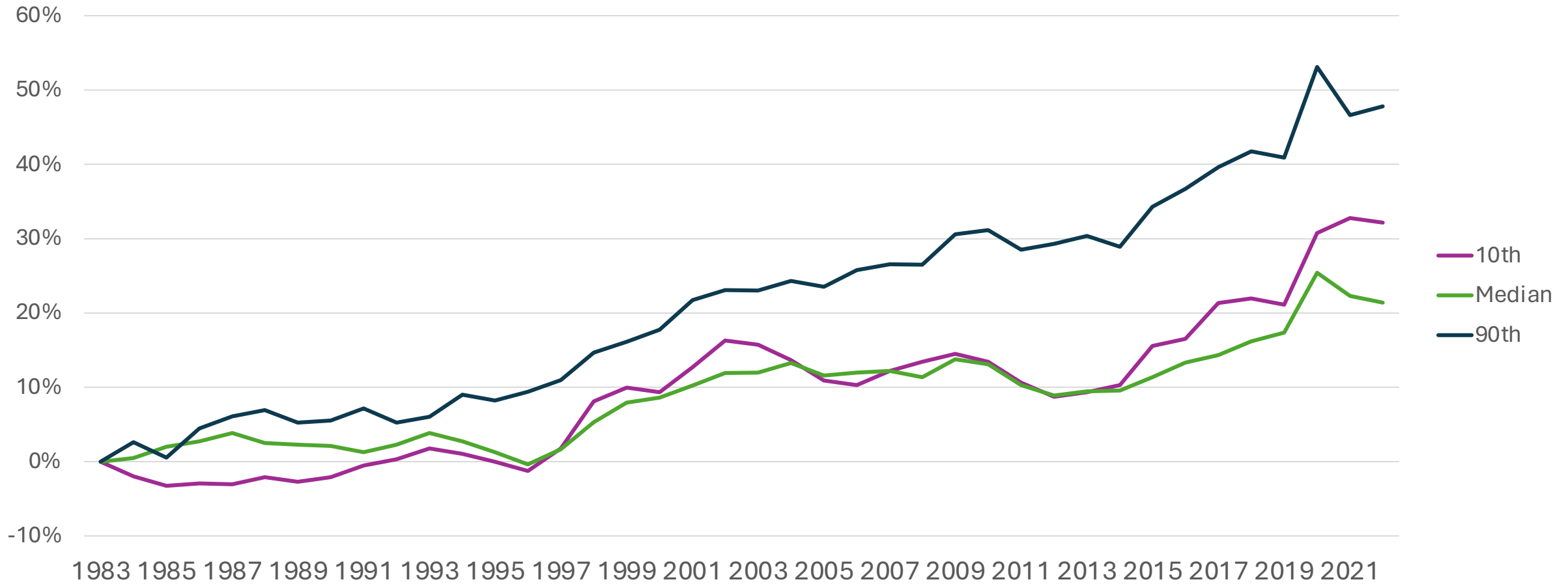
Real Wages at the 10th, Median, and 90th Percentile



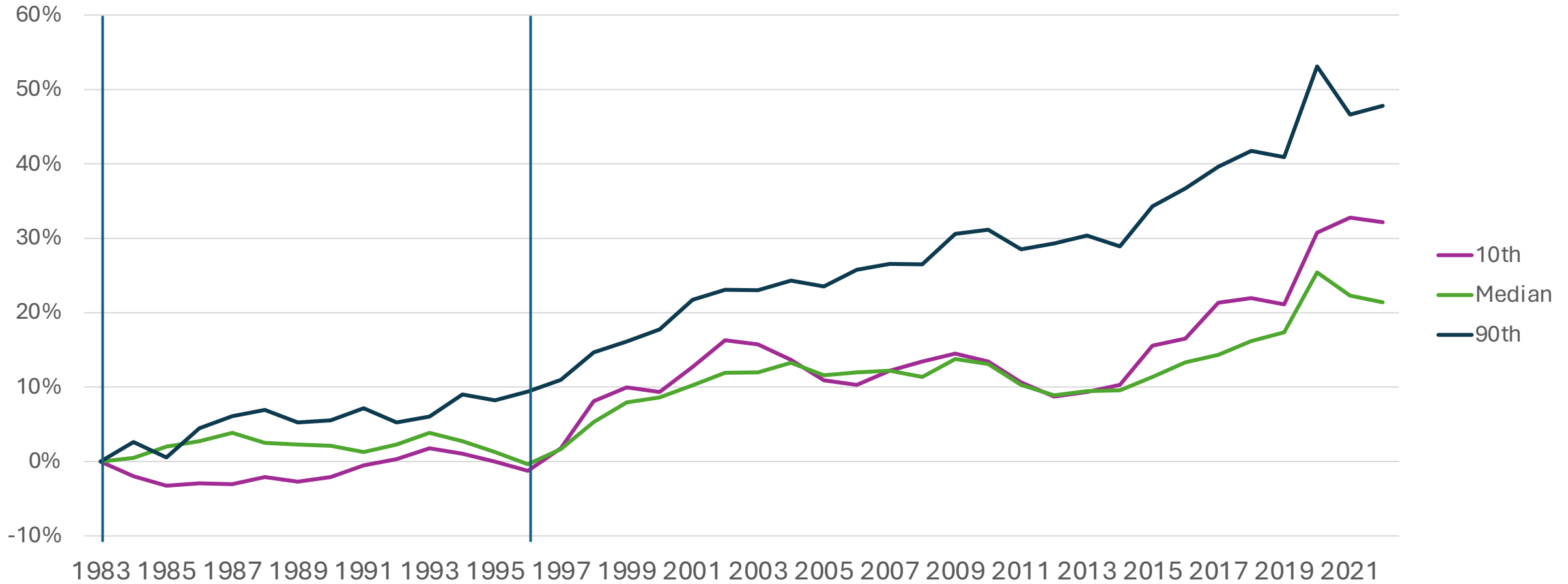
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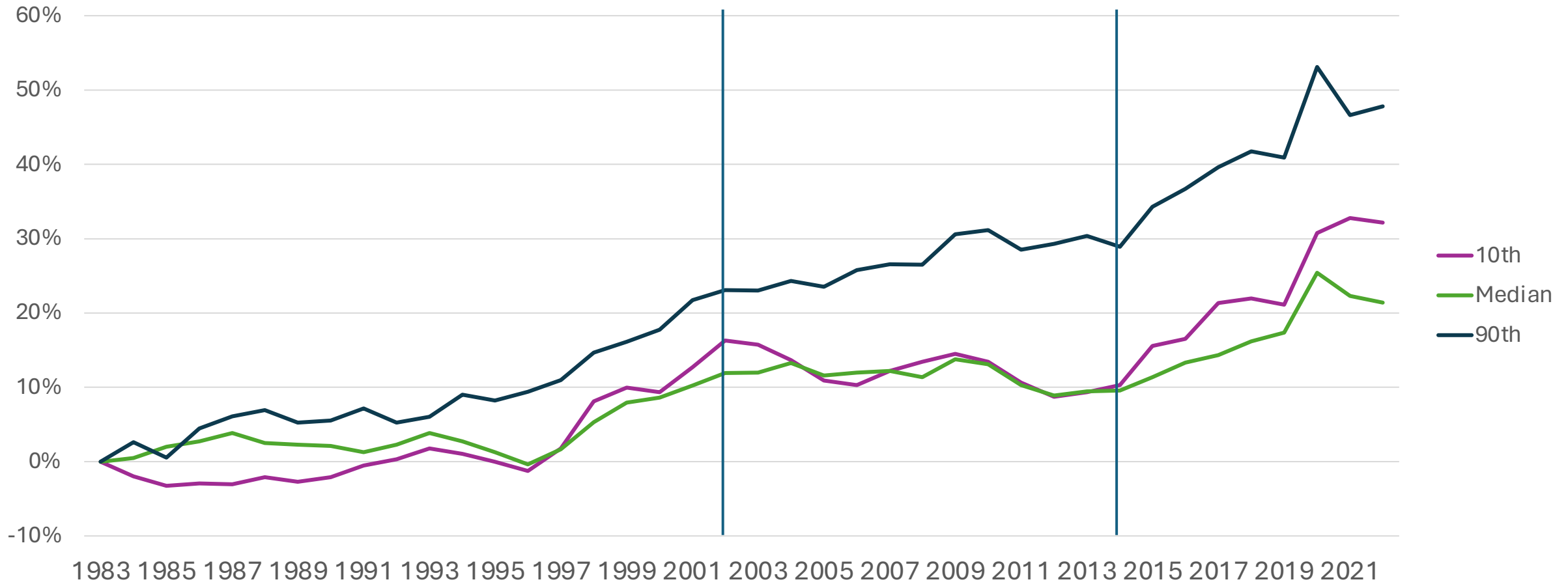
Percent Change in Real Wage since 1983



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Reform to Social Security is coming

- When the trust fund is depleted, benefits will be automatically cut to ensure 75-year stability
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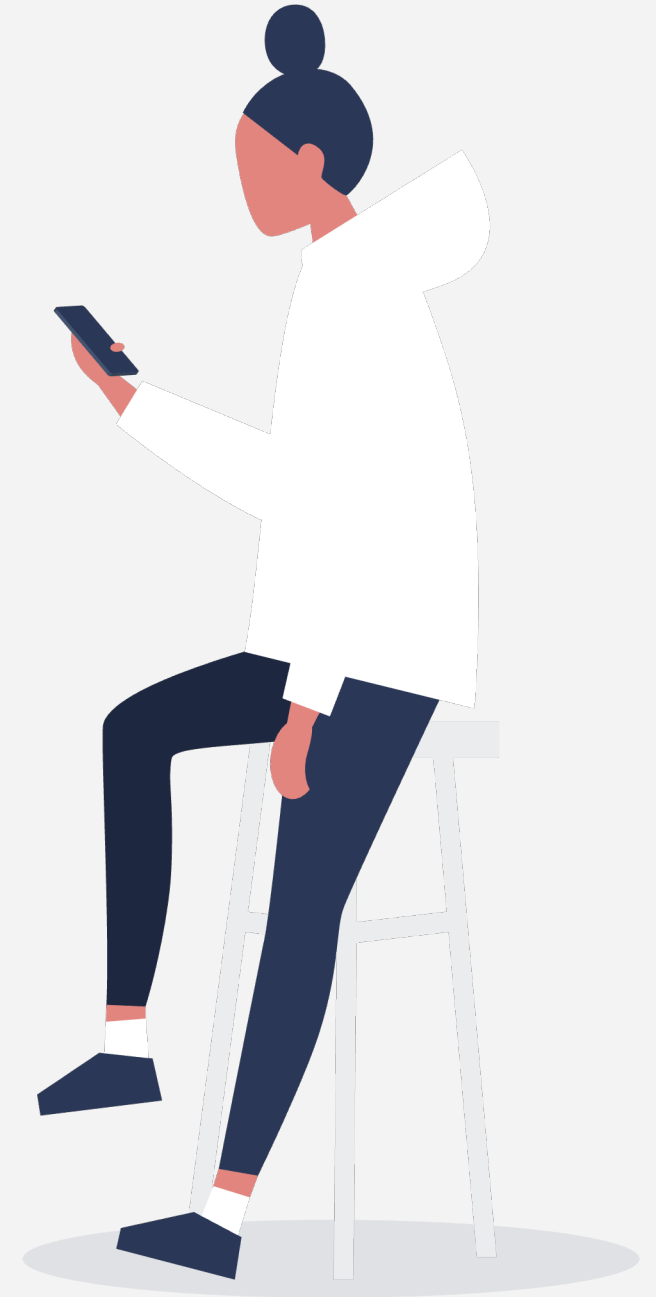
What is Social Security's role and what should it be?

1975 – 2020 - 2065

A person who turned 65 in 2020 had been working since 1975. Over that time, they lived through:

- Five recessions (1980, 1981, 1990, 2001, 2007, 2020)
- Financial crises (Savings and Loan, Dot com, Housing crisis)
- Pandemic
- Myriad labor market and industry shifts (e.g. manufacturing fell from 23% to 8% of employment; 'digital economy' went from 0 to 7% of GDP)

A person who starts work in 2020 will work until about 2065. What will happen in the economy? What will happen in their life?



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Landscape

- Just 31% of Americans think they are on track with retirement savings, only increases to 40% for people 60+
- Half of American workers do not have access to a retirement plan at work
- Half of Americans do not have a retirement account
- Subsidization of retirement contributions to qualified plans costs the government the equivalent of 1.3% of GDP each year
- Just 15% of that subsidy goes to the bottom 60% of Americans by income, nearly two-thirds (63%) goes to the top 20%

Policy reality

The age of 401(k)s is coming to an end

IBM Reopens Its Frozen Pension Plan, Saving the Company Millions

The company has stopped making contributions to 401(k) accounts, and instead gives workers cash credits in a new version of its old pension plan.

Why BlackRock's C.E.O. Wants to Rethink Retirement

Larry Fink, who leads the world's biggest asset manager, warns in his annual investor letter that an aging population will soon pose huge economic troubles.

Policy reality

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The federal government has never been a leader or taken an active role in retirement policy—left to employers to decide and government regulates, endorses, subsidizes, or safeguards.

Ask me anything.