PRC 2022 Symposium

Session II

The changing financial environment and retirement security

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Changing financial environment and retirement security – Discussion outline

- Targeted Discussion
    - *Wealth Inequality and Retirement Preparedness: A Cross-Cohort Perspective*
    - *Changes in Retirement Savings During the COVID Pandemic*
    - *Saving and Wealth Accumulation among Student Borrowers: Implications for Retirement Preparedness*

- Broader Context Discussion
    - *How these papers fit with each other*
    - *Fit into the larger discourse of retirement security*

Wealth Inequality and Retirement Preparedness: A Cross-Cohort Perspective – Sabelhaus and Volz

Use comprehensive wealth to measure relative retirement adequacy across generational cohorts.

Comprehensive Wealth = 'Base' wealth + DB present value + SS present value

Approach:

1. *Relative Rank Distributions* – where would an individual of a given cohort be if their wealth is mapped into the distribution of an earlier cohort?

2. *Percentile Point Comparisons* – how do wealth holdings differ at a given percentile across cohorts and ages?

Conclusions:

- The older cohorts ('40s, '50s), saw improvements to relative wealth across the whole of distribution, but younger cohorts ('60s, '70s) *stalled* – top of the distribution – or even *reversed* – bottom of the distribution

- Social Security reverses much of the relative deteriorations at low wealth levels making it *relatively more important* over time.

Wealth Inequality and Retirement Preparedness: A Cross-Cohort Perspective – Sabelhaus and Volz

Discussion

- How do improvements in overall standards of living overtime impact?
- Role of rising debt financed consumption?
- Role of alternative assets, comingled assets?

Expansions

- Disaggregated assessments
  - Men vs. women, race & ethnicity, labor market decisions, education attainment

Nitpicking

- Explanation of net worth, as defined by SCF
- Point estimate examples for explaining relative rank, percentile point comparisons
- Figures: Check legends, add notes describing how to read
- Impacts from the choice of inflation adjustment?

Changes in Retirement Savings During the COVID Pandemic – Derby, Goodman, Mackie, Mortenson

Descriptive comparison of retirement savings flows between COVID-19 (2020) and the Great Recession (2008 to 2010) across age and earnings distributions

Comparisons:

1. *Contributions*– Mean dollar amount contributed, change in contributions as a function of prior year labor earnings
2. *Withdrawals*– Mean dollar amount withdrawn, withdrawal patterns around ages impacted by CARES Act (ages 75 and 59.5)

Conclusions:

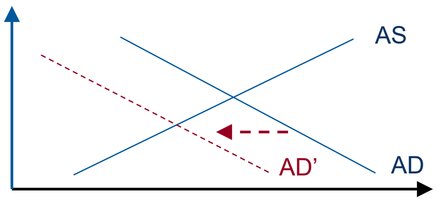
These downturns were not analogous

	Great Recession	COVID
Contributions	**Declined**	**Increased**
Withdrawals Early withdrawals	**Small increase**	**Large increase**
Withdrawals: Between 60 and 70	Constant	Constant
Withdrawals: Subject to RMD	Declined	Declined

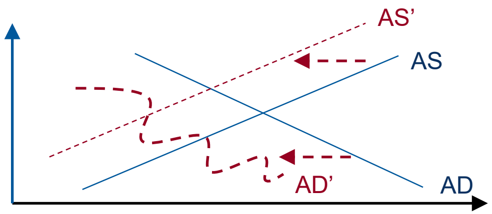
Changes in Retirement Savings During the COVID Pandemic – Derby, Goodman, Mackie, Mortenson

Discussion

- Shock that impacts one S/D Curve vs. shock that impacted both S/D Curves?



vs.



- Who was adversely impacted by the shock
  - Near retirement - Drop in labor but not retirement wealth
  - Liquidity of retirement savings vehicles

Expansions

- Withdrawal patterns across the income distribution
- Influence of record low interest rates

Nitpicking

- Do more across the earnings distribution (Figure 5 vs. Figure 6)
- Figure 7: Withdrawals by monthly age near 59½ - 2019 vs 2020 (scaling, dot size)
- Touch on who lost jobs but don't explore further

Saving and Wealth Accumulation among Student Borrowers: Implications for Retirement Preparedness – Dettling, Goodman, and Reber

What impact the rise in student loan borrowing has had on ability to save and accumulate wealth.

Approach:

1. *Survey of Consumer Finance*– Student loan debt's lifecycle pattern

2. *Consumer Credit Panel/Equifax*– first impute borrowing history, then measure financial well-being later

Conclusions:

- Student loan borrowers look financially like other college attendees.
  - Caveated by those carrying student debt into near-retirement age may not be better off than not attending.

- Given the alternative of no college, student loan borrowing appears to *significantly improve* financial circumstances and ability to save and accumulate wealth.

Saving and Wealth Accumulation among Student Borrowers: Implications for Retirement Preparedness – Dettling, Goodman, and Reber

Discussion

- Loan for type of higher education
- Student loan forgiveness programs
- Fundamental distinction between ‘loan’ and ‘investment’
  - Market conversion to “Indi-Bonds”?

Expansions

- Explore the size of loan amount, intended educational attainment
- Public/Private/For-Profit higher education market
- Disaggregate by various observable demographics (gender, race/ethnicity, location)

Nitpicking

- Check axes labels
- Strong link to lifecycle wealth but expand the link to retirement preparedness
- Figure 4a: possible outlier problem for ~61 (run mean for median +/- 3)

Changing financial environment and retirement security

- *Wealth Inequality and Retirement Preparedness: A Cross-Cohort Perspective*
- *Changes in Retirement Savings During the COVID Pandemic*
- *Saving and Wealth Accumulation among Student Borrowers: Implications for Retirement Preparedness*

- Retirement wealth inequality appears to be growing
- The pandemic worsened the inequality gap
- Investments in human capital are helping to close the gap

- Diverging incentives for retirement savings
    - Tails of the income distribution – passing off wealth vs. generating it
- Growing dependence on higher education institutions as gate-keepers
    - Pressure to attend college coupled with pressure to attend the *right* college