



New Perspectives:

An Intergenerational Discussion on Retirement Solutions

iOme Challenge Forum

June 20, 2023  Washington, DC

This event is made possible with support from:

ACLI • TIAA Institute • Capital Group
TruStage • Nelson Mullins

Special thanks to the U.S. Administration for Community Living for their support of the National Resource Center on Women & Retirement.



Young adults, their attitudes and outlook toward retirement and the future

PRESENTATION BY
TIAA Institute, in partnership with
Georgetown University

JUNE 2023



About the TIAA Institute

Institute pillars of work



Research



Convenings



Partnerships



Practice



Communications

Overview

The Young Adults Personal and World Outlook Survey explores the connection between young adults’ activism on global issues and their own financial health and future outlook.

Gen Z and millennials have faced financial challenges in their short working lives: inflation, the high cost of education, an uneven job market, and high housing costs. It is against this backdrop that the survey seeks to understand and contrast young adults’ expectations and priorities regarding global challenges and their personal financial situation.

N= 1009
Young adult s age 24-35

Omnibus survey

Nationally representative online sample, balanced by age, gender, income, race, education, and region

SURVEY RESPONDENTS

Gender	Male	Female	Age	24–27 yo	28–31 yo	32–35 yo	Income	< \$50k	\$50k–\$100k	\$100k+
	N = 498	N = 503		N = 337	N = 335	N = 337		N = 397	N = 387	N = 225

Executive summary



Overall
financial
outlook

Young adults are more **optimistic** about making a difference in global issues than in their own financial future.



Retirement
expectations

Young adults expect or **want to retire fully and prioritize saving for retirement.** However, their confidence in a full retirement is not strong and is linked to their future outlook.



Behavioral
overview

Savings habits of young adults vary, but those who **are saving are less financially stressed.** They prioritize saving over paying down debt; retirement saving as a priority is mixed.

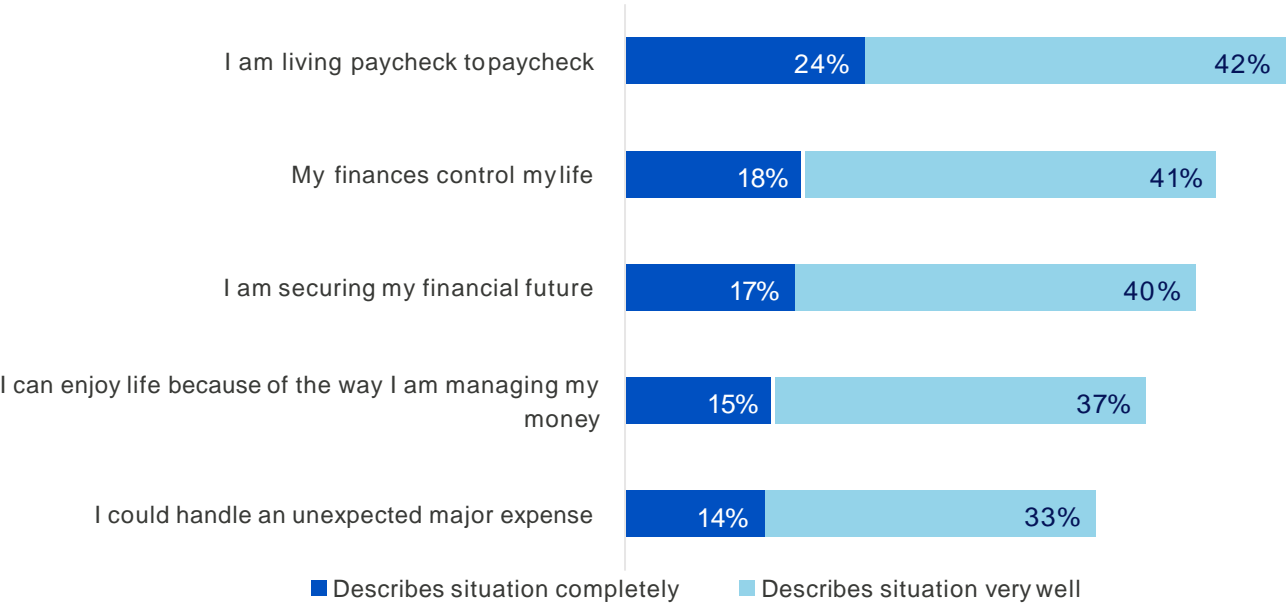


Retirement
funding,
engagement
varies

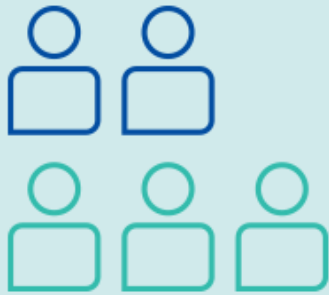
Young adults expect to **fund retirement from multiple sources.** Their engagement in their retirement plan investments and understanding of plan income are mixed.

Financial situation

Young adults are struggling financially, yet many feel they are moving in the right direction. Like generations before them, financial challenges intersect with gender and race, but optimism shows among people of color.



(n=1009 young adults age 24–35) Source: Young Adults Personal and World Outlook Survey, 2023

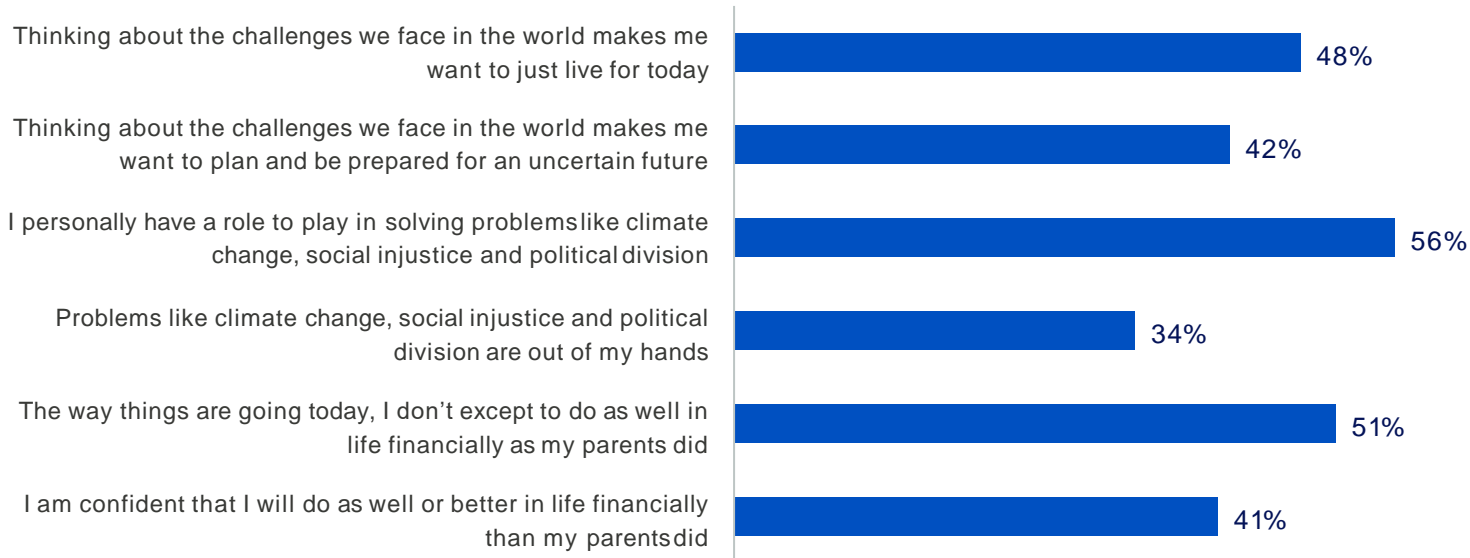


Two in 5 young adults are living paycheck to paycheck

Future outlook

Young adults are more optimistic about making a difference in global issues than in their own financial future.

Agreement with statements about the future



(n=1009 young adults age 24–35) Source: Young Adults Personal and World Outlook Survey, 2023

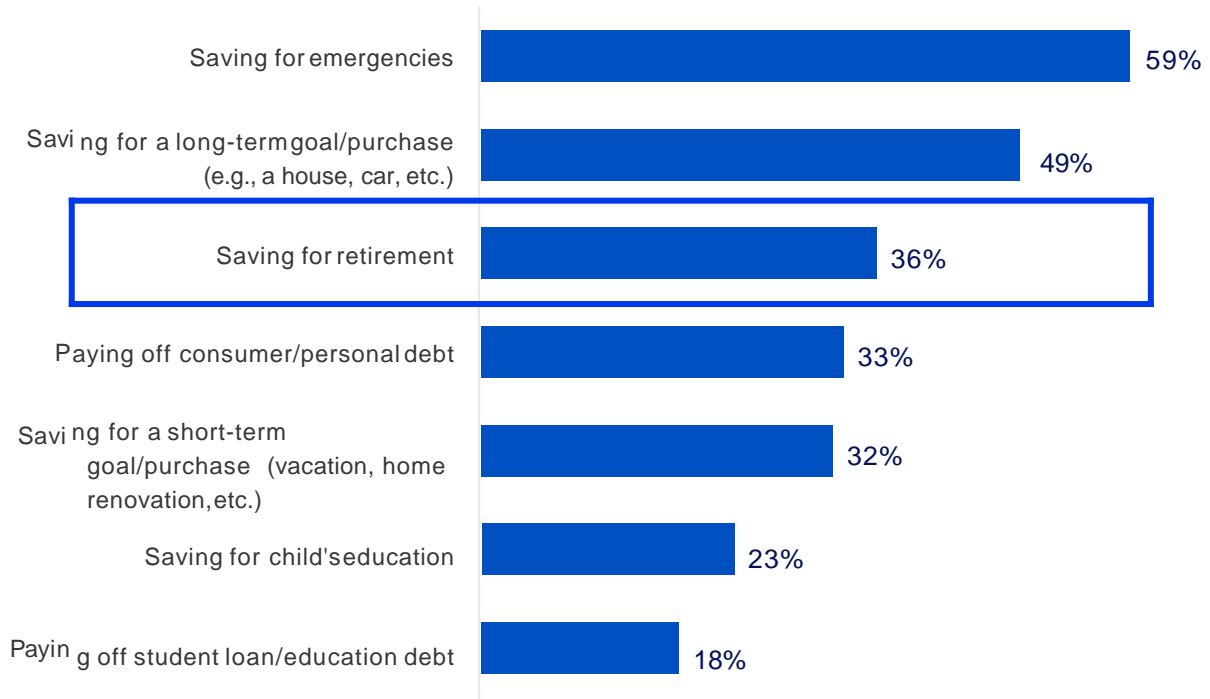
Making a
difference
in solving
global problems



56% feel they personally
have a role to play

Financial goals

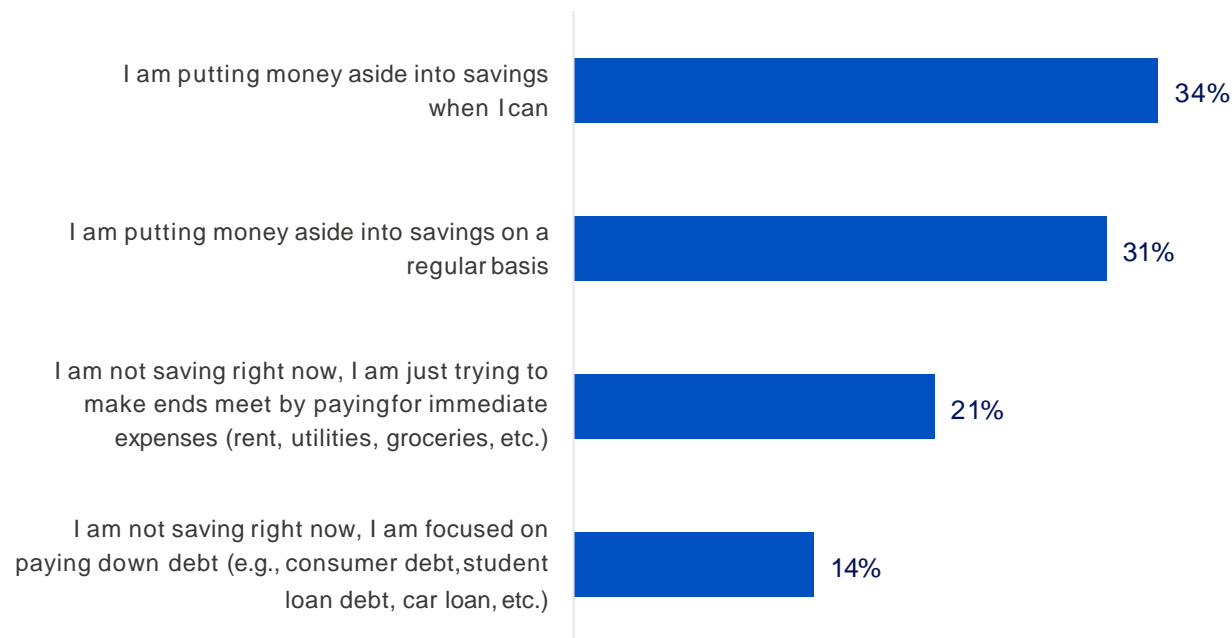
Young adults prioritize saving over paying down debt, but retirement saving as a priority is mixed.



(n=1009 young adults age 24–35) Source: Young Adults Personal and World Outlook Survey, 2023
Y3: Below are some financial goals that people may have. Select your top 3 financial goals.

Saving mindset

Saving habits of young adults vary, but those who are saving are less financially stressed.



(n=1009 young adults age 24–35) Source: Young Adults Personal and World Outlook Survey, 2023



One-third of young adults are putting money into savings.

Young adults saving behavior varies by demographic groups and financial situation.



Young adults of color are more likely than White young adults to put money aside into savings on a regular basis.

Current retirement plan

Most working young adults are saving through a workplace or personal retirement plan; however, their level of engagement and risk tolerance varies.

72%

Almost **three in four young adults** indicate they are saving through some combination of a retirement plan.



High-income, White, and female young adults are the most likely to say they will **rely on retirement savings as a source of income in retirement.**



51% of young people are risk averse.

69%

Believe their retirement plan provides for a guaranteed minimum income. **But, most plans do not.**

Key takeaways

Looking ahead, we all have a role in the financial future of younger generations.



Young adults are struggling financially, and too many are living paycheck to paycheck.



Employers should provide financial wellness programs to help young adults plan.



Employers, family members, advisors, and financial institutions all have a role.



Young adults should learn about and participate in their workplace benefits.



Those who save are more likely to believe they are securing their financial future, enjoying life and can handle a major expense.



Any guarantees are backed by the claims-paying ability of the issuing company.

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TIAA.org

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It Starts With Access and Ends With Outcomes

The Collaborative for Equitable Retirement Savings

WISER, June 2023

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Jack VanDerhei, PhD.

Director of Retirement
Studies, Morningstar Center
for Retirement and Policy
Studies

Four Phases of the Analysis for Each Plan Sponsor

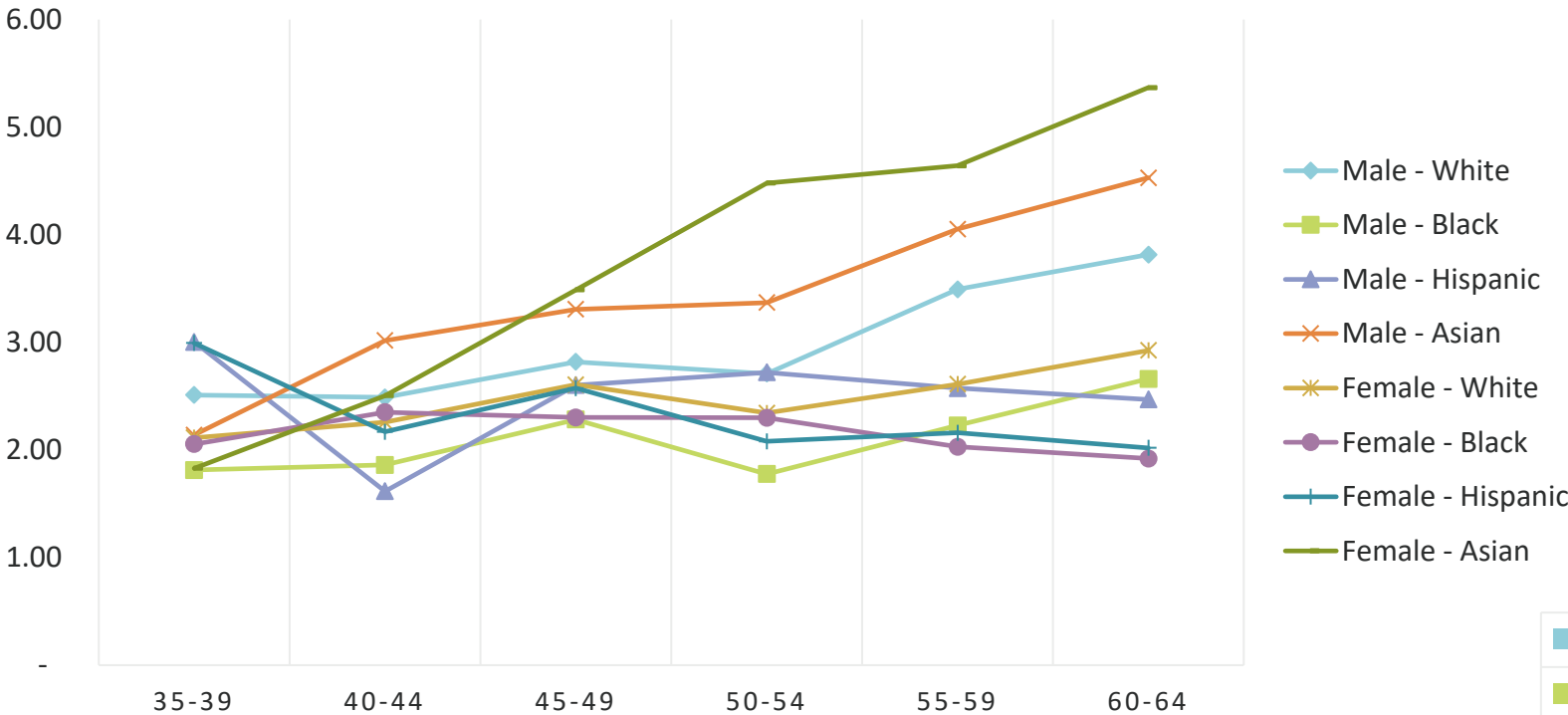
- **PHASE ONE:** Analyze the ratio of account balances/salary for each of eight gender/raceðnicity categories for each of six tenure breaks
- **PHASE TWO:** provide a similar analysis looking at each of the following (controlling for age, salary and tenure):
 - Participation
 - Contribution
 - Asset allocation
 - Loans
 - Pre-retirement withdrawals
- **PHASE THREE:** Simulate 1,000 replacement rates for each active participant for a range of retirement ages
 - Includes Social Security and defined benefit (if applicable)
 - Plan-specific age/wage curves if the plan sponsor is large enough
 - Additional detail if possible (e.g., salary vs hourly, industry, location)
 - Alternative methods of dealing with mid-career hires
- **PHASE FOUR:** Show how plan design modifications (including managed accounts) can be used to mitigate some of the gender/raceðnicity differentials.

Today's Results are Based on a Synthetic Universe

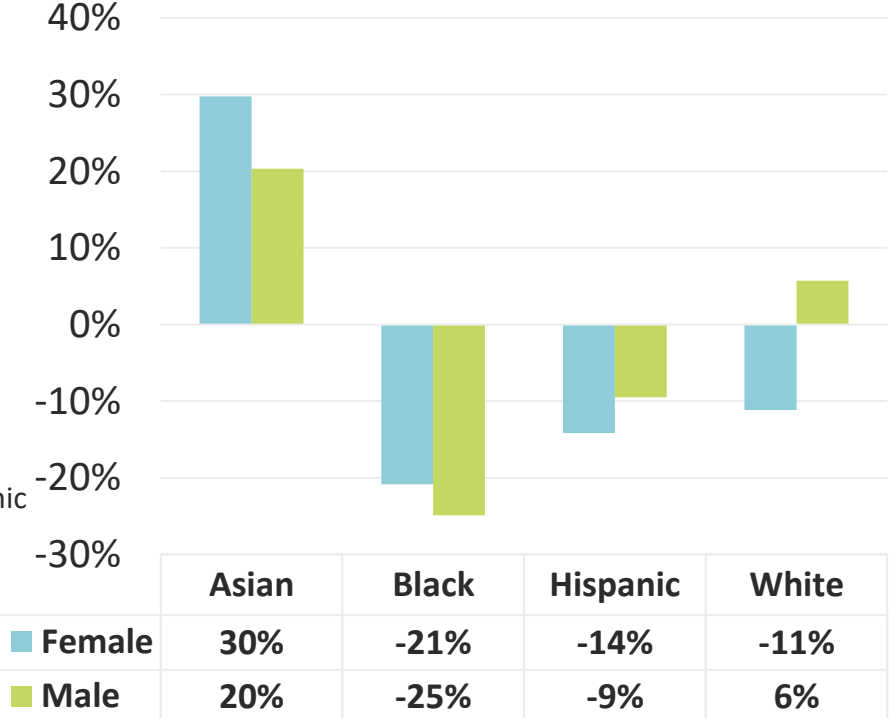
- Each plan is equally weighted to mask the results for the larger plans
- Still based on actual data (year-end 2021)
 - However, the results *cannot* be reverse engineered to see plan-specific results

What Are the Disparities in Account Balances after Accounting for Age, Salary and Tenure?

AVERAGE ACCOUNT BALANCE TO SALARY FOR ACTIVE PARTICIPANTS WITH AT LEAST 15 YEARS OF TENURE*



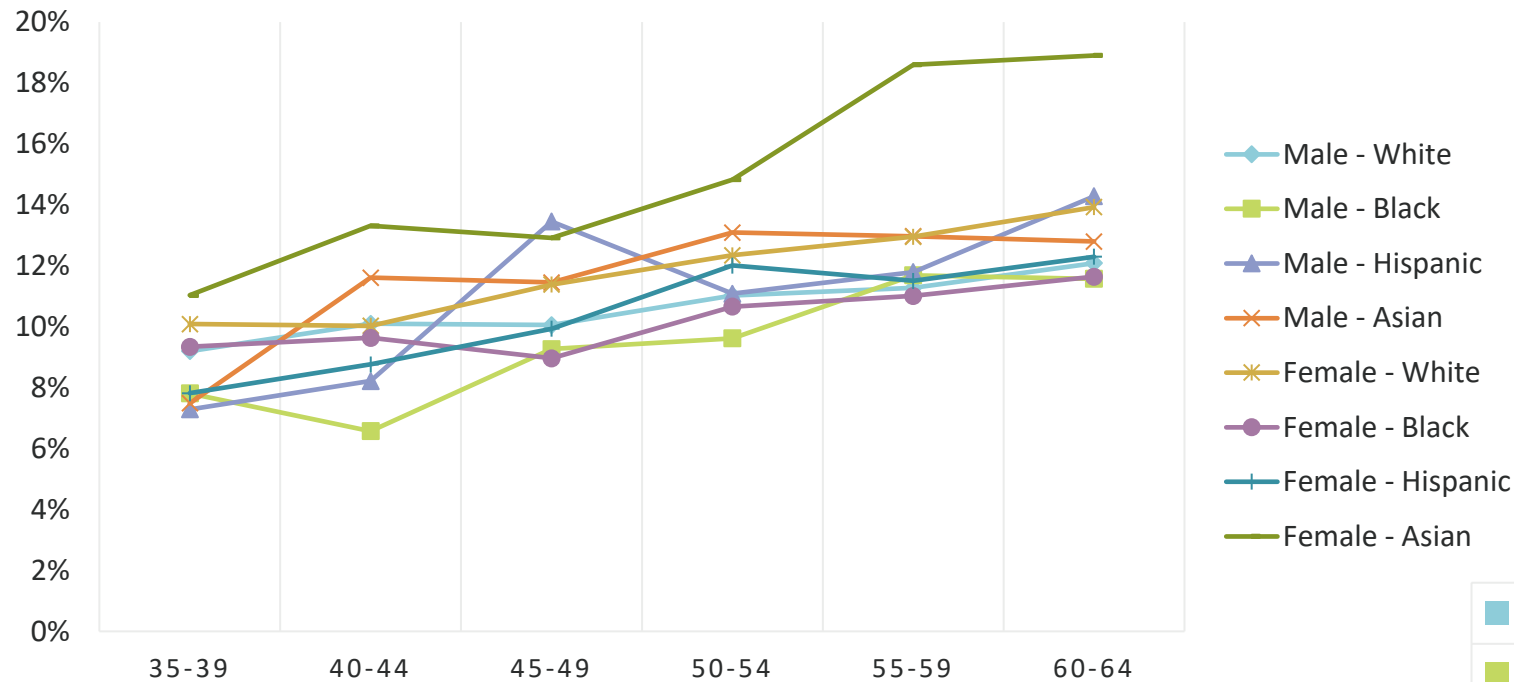
Average differential relative to age cohort mean



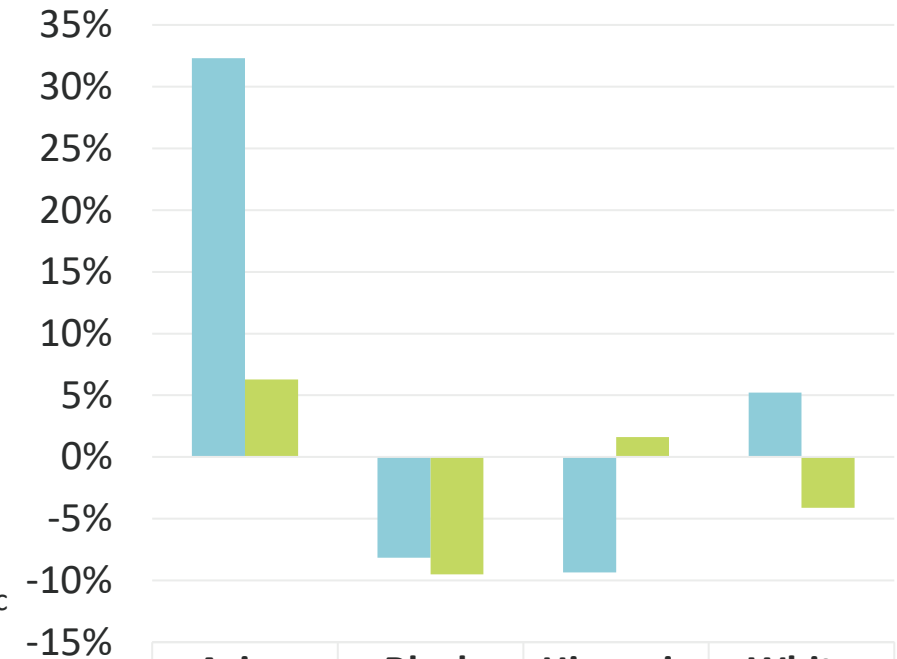
*Weighted sample, by age, gender and race/ethnicity. Filters out salary <10k

Disparities in Employee Contribution Rate

AVERAGE EMPLOYEE CONTRIBUTION RATE FOR ACTIVE PARTICIPANTS WITH AT LEAST 15 YEARS OF TENURE*



Overall differential relative to mean

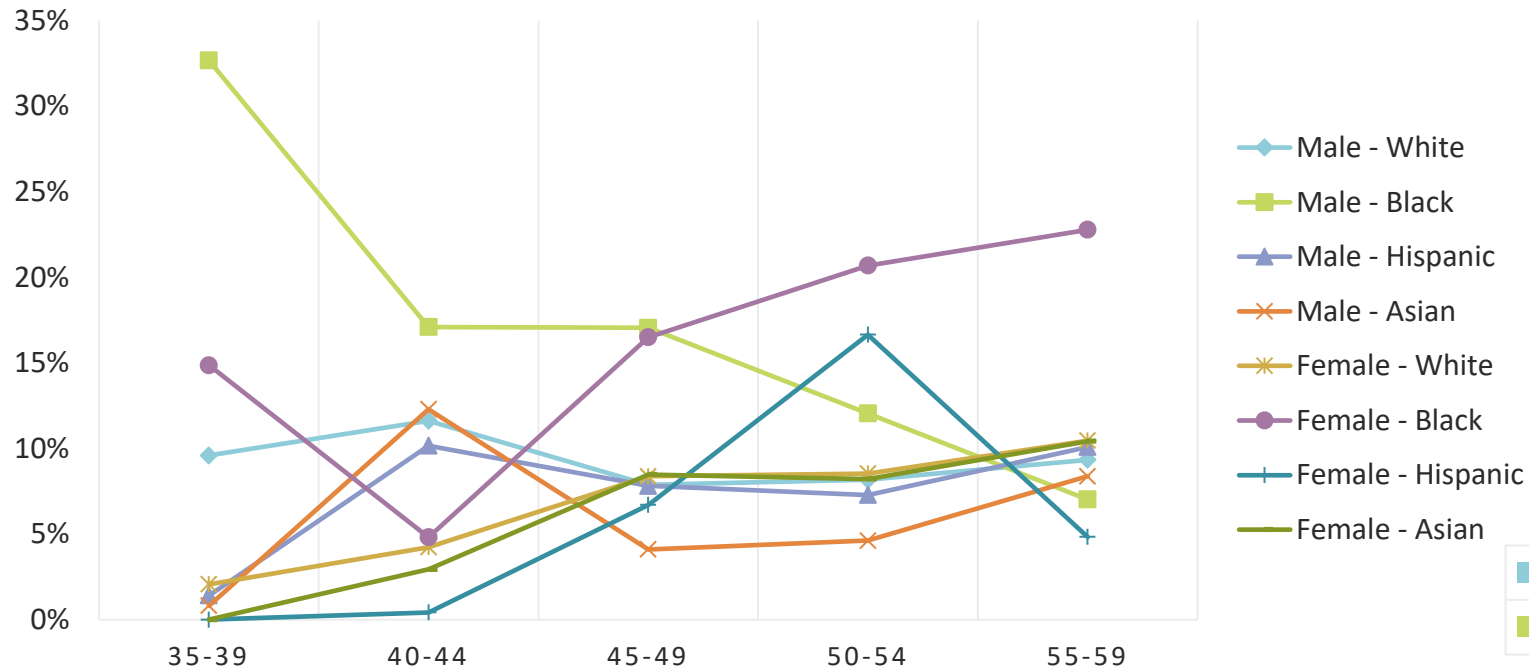


	Asian	Black	Hispanic	White
Female	32.3%	-8.2%	-9.3%	5.2%
Male	6.3%	-9.5%	1.6%	-4.1%

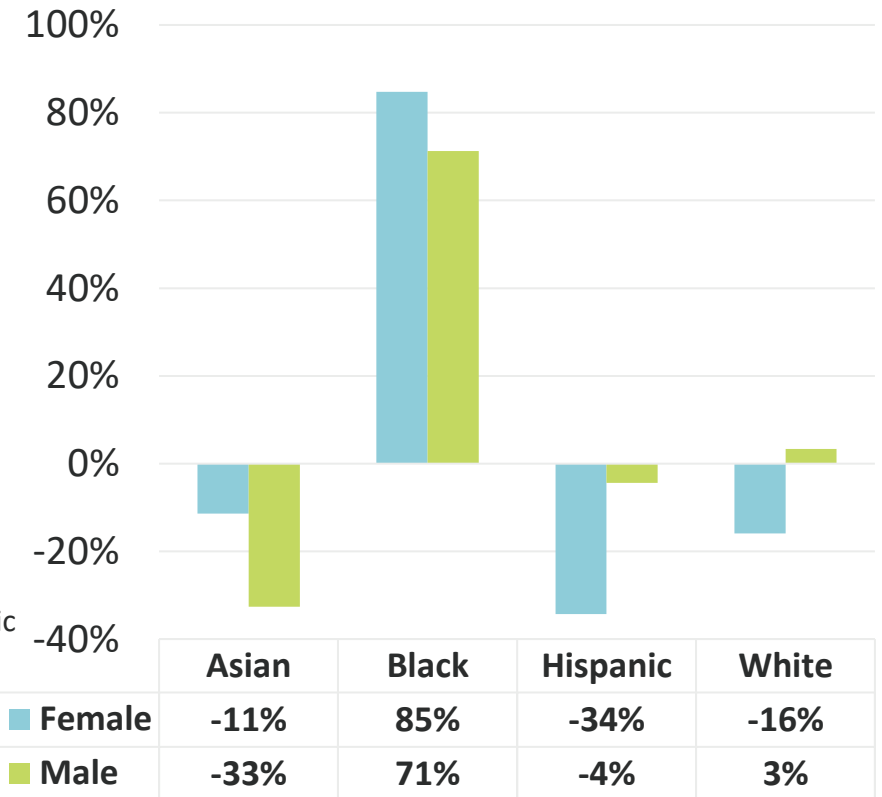
*Weighted sample, by age, gender and race/ethnicity. Filters out salary <10k

Disparities in Annual Probability of Pre-Retirement Withdrawal

ANNUAL PROBABILITY OF A PRE-AGE 59.5 WITHDRAWAL FOR ACTIVE PARTICIPANTS WITH AT LEAST 15 YEARS OF TENURE*



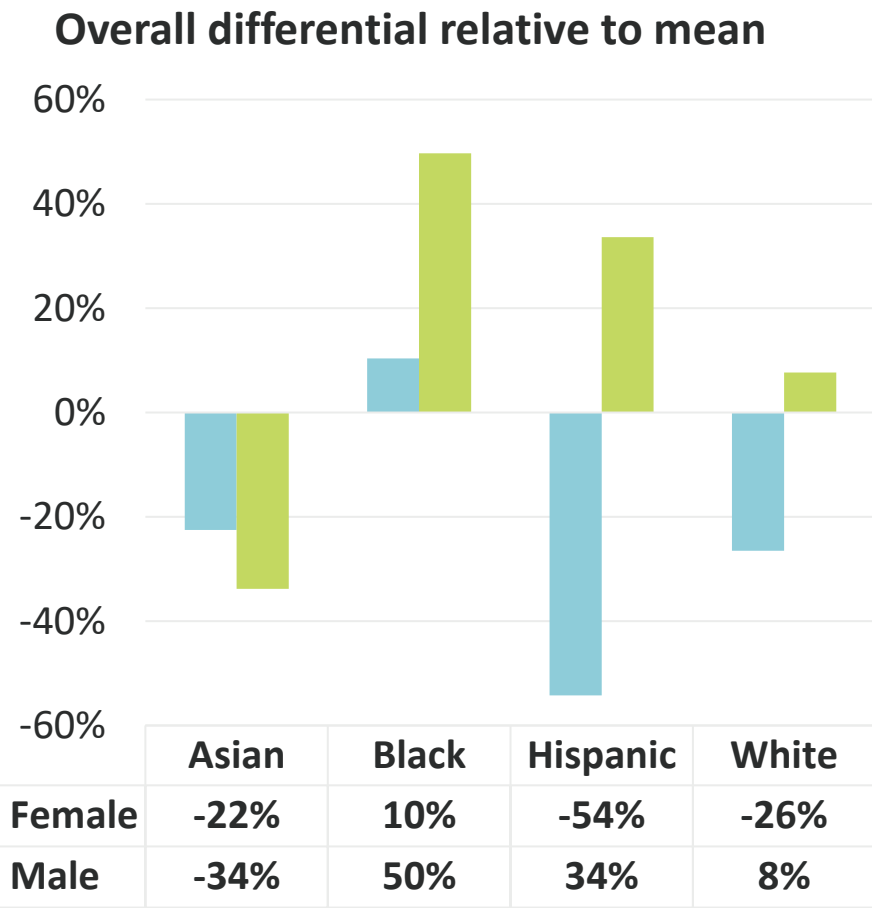
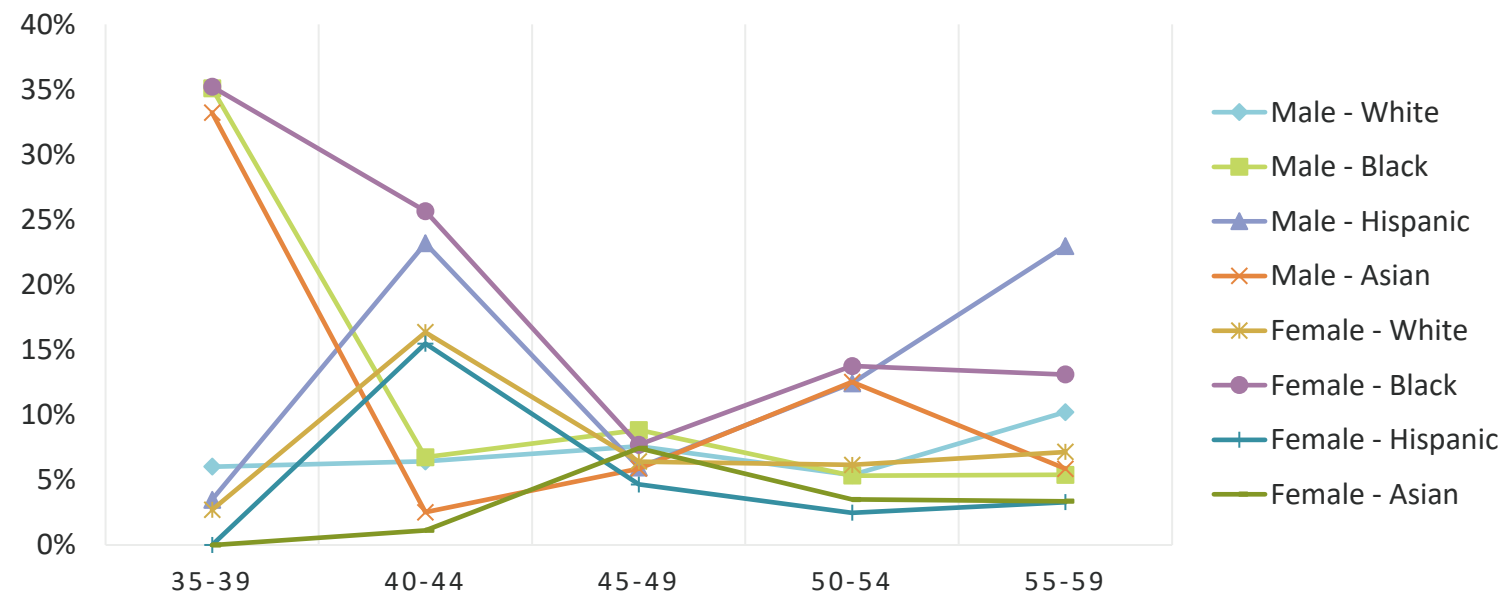
Overall differential relative to mean



*Weighted sample, by age, gender and race/ethnicity. Filters out salary <10k

Disparities in Conditional Percentage of Account Balance Withdrawn

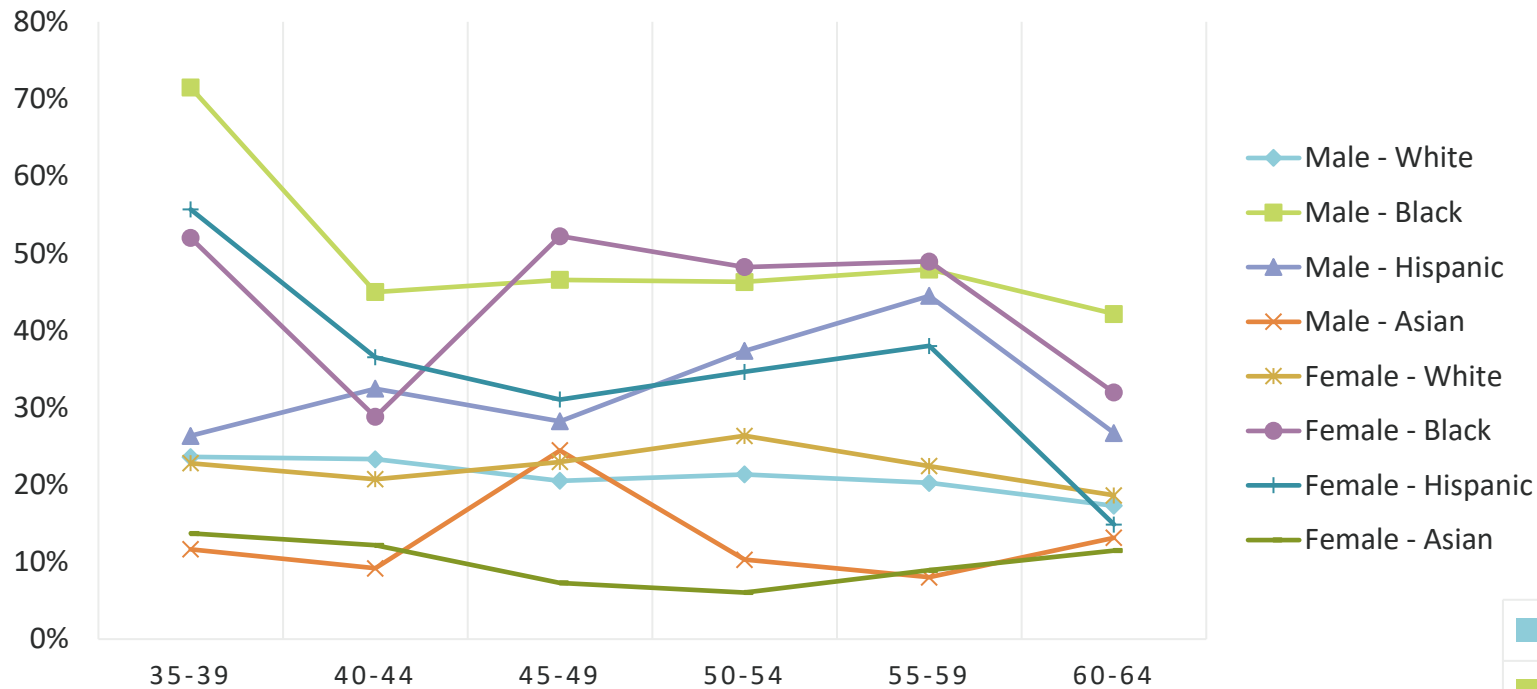
AVERAGE PERCENTAGE OF ACCOUNT BALANCE
WITHDRAWN FOR PRE-AGE 59.5 WITHDRAWALS
FOR ACTIVE PARTICIPANTS WITH AT LEAST 15
YEARS OF TENURE*



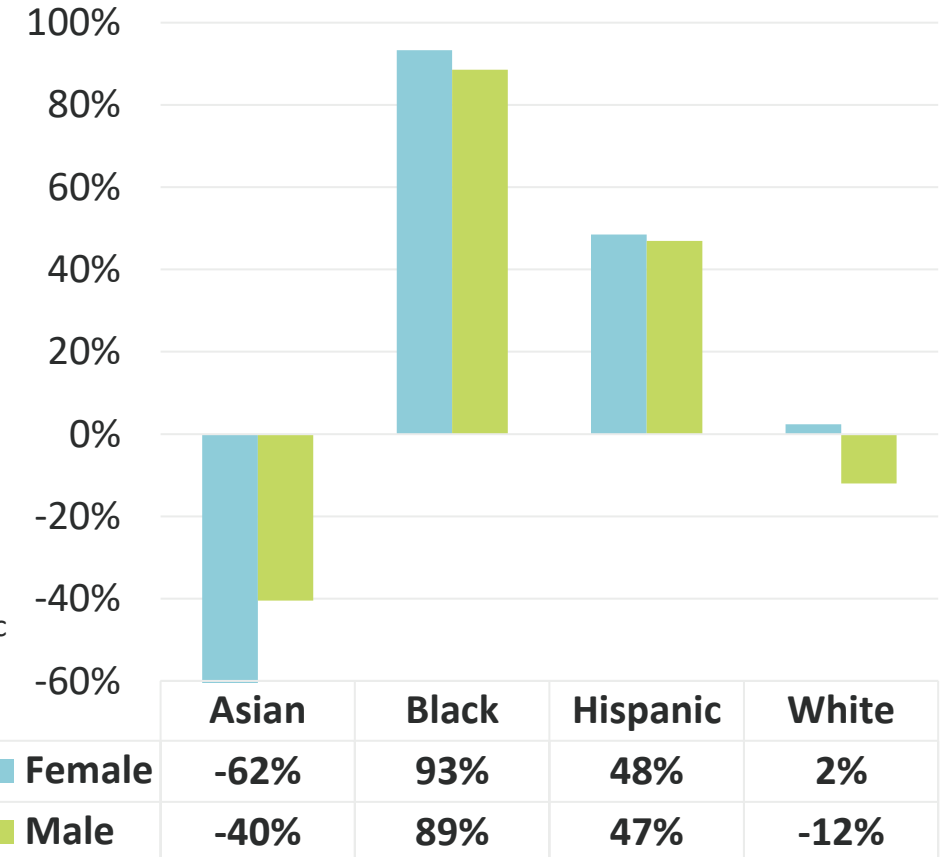
*Weighted sample, by age, gender and race/ethnicity. Filters out salary <10k

Disparities in Probability of Having an Outstanding Plan Loan

PROBABILITY OF HAVING A PLAN LOAN OUTSTANDING FOR PARTICIPANTS WITH AT LEAST 15 YEARS OF TENURE*



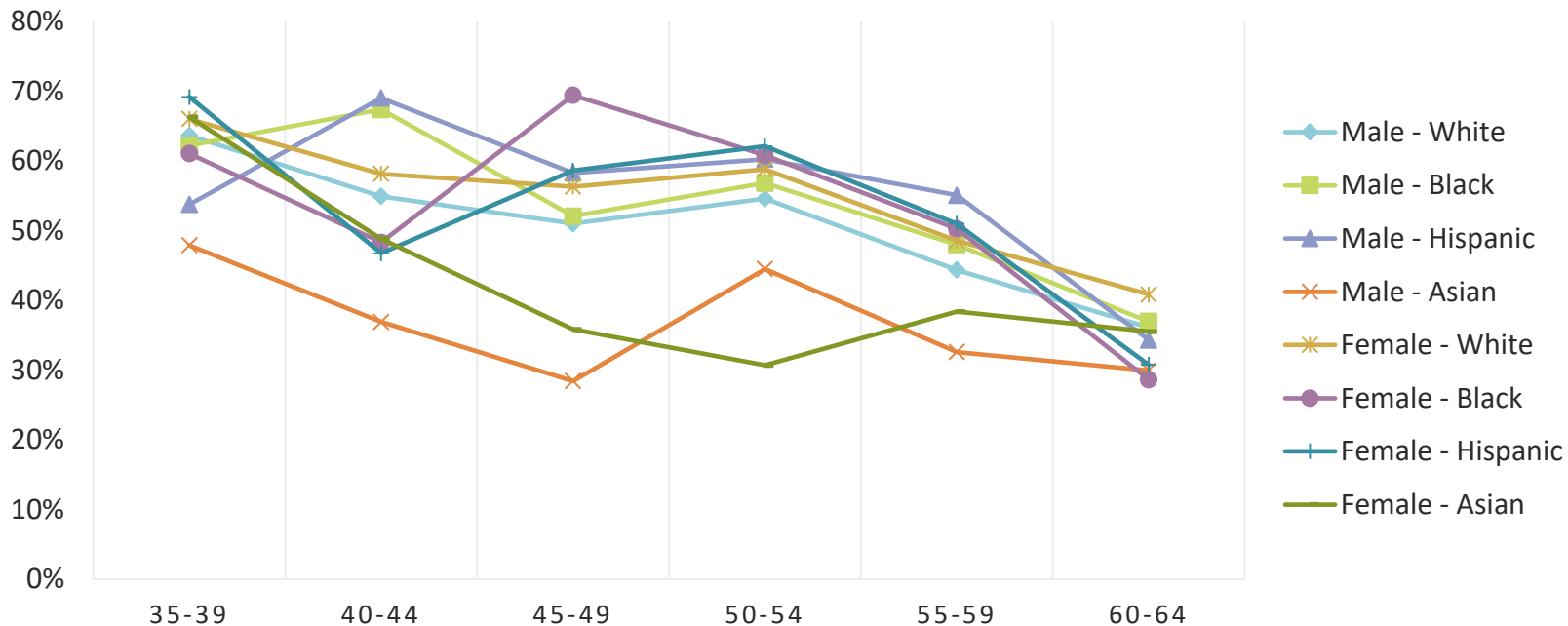
Overall differential relative to mean



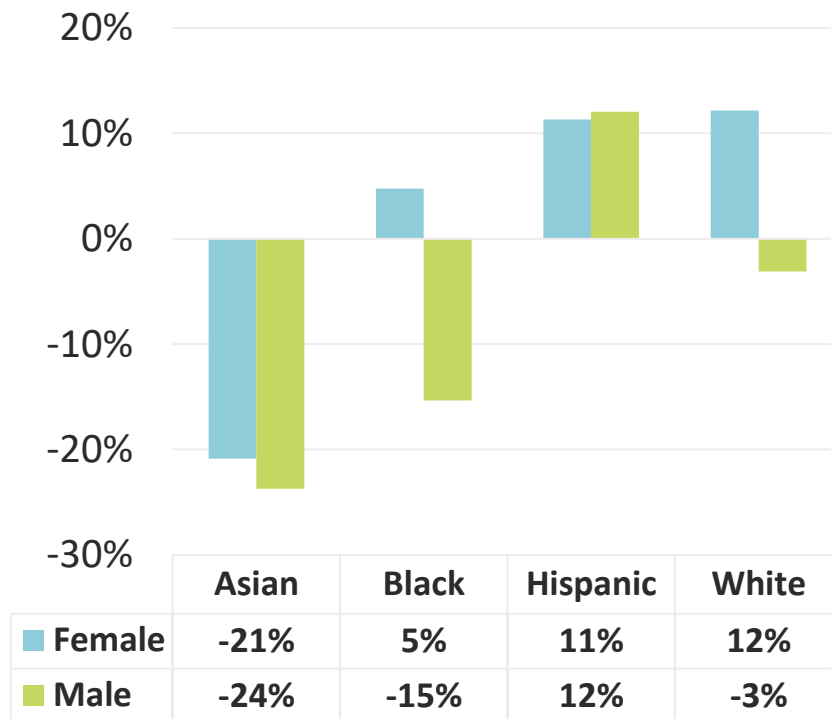
*Weighted sample, by age, gender and race/ethnicity. Filters out salary <10k

Disparities in Equity Allocation

AVERAGE PERCENTAGE IN EQUITIES (INCLUDING PORTIONS FROM TDF AND BALANCED) FOR PARTICIPANTS WITH AT LEAST 15 YEARS OF TENURE*



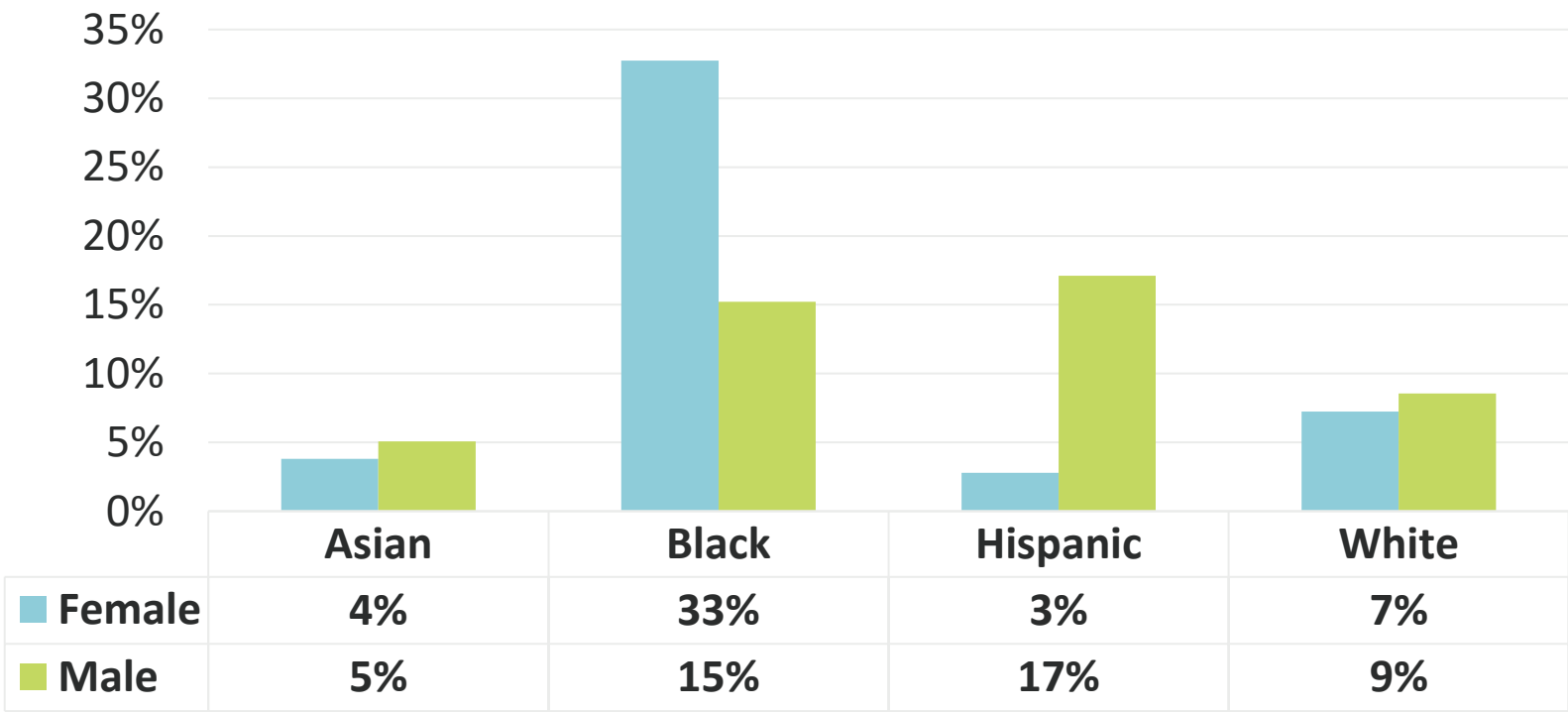
Overall differential relative to mean



*Weighted sample, by age, gender and race/ethnicity. Filters out salary <10k

How Much Would “Treatment” of Pre-Retirement Withdrawals Help Mitigate the Account Balance Disparities?

Average projected percentage of account balance increase in the absence of pre-age 59.5 withdrawals by gender and race/ethnicity. Active participants with salary >10k.



- Assumes entry at 35 and retirement at 65
- ROR = 6 percent
- Wage growth = 3 percent

*Weighted sample, by age, gender and race/ethnicity. Filters out salary <10k

Next Steps

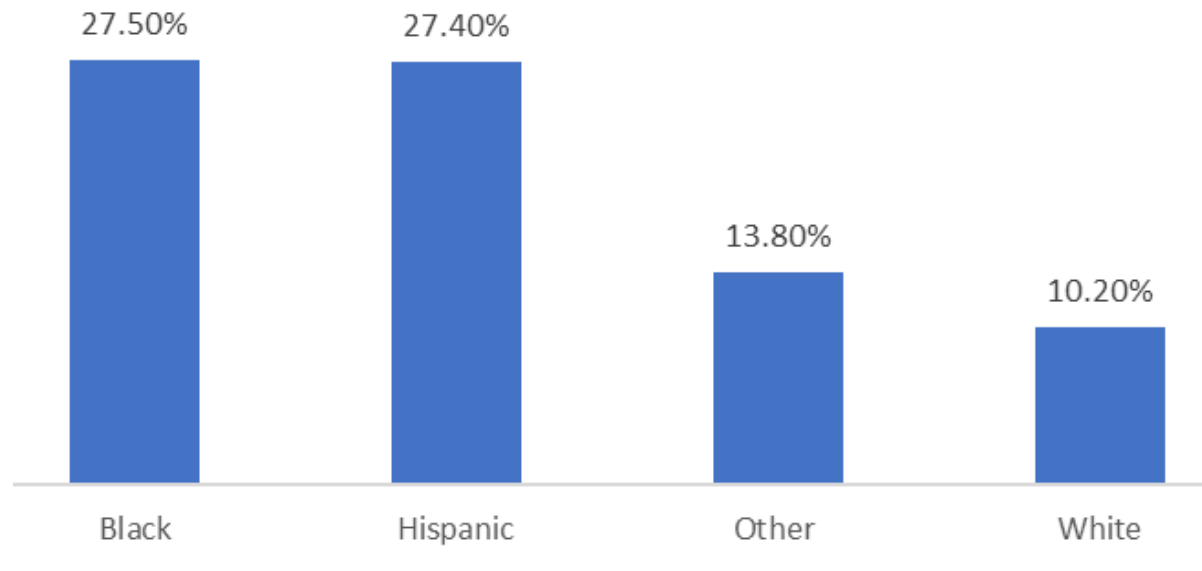
- Results for all six tenure categories (this was only 15+ years)
- Working through integration of DB benefits for each plan
- Will add Social Security projections and provide replacement rates for a variety of retirement ages
 - Plan-specific salary curves
- Investment results
 - Broken out as TDF vs MA vs DIY
 - Stochastic results based on 1,000 simulated 100 year paths
- Each plan sponsor will have their own “you vs. universe” results as well as analysis of how different plan modifications would mitigate disparities

Types of Future analysis

- Empirical
 - Longitudinal
 - Other = $f(\text{additional variables provided})$
- Simulation
 - How does MA mitigate gender/race disparities? (next slide)

Implementing managed accounts can help to mitigate the race differentials

Increase in terminal wealth by race for voluntary enrollment 401(k) plans as a result of managed accounts



Source: The Morningstar Model of U.S. Retirement Outcomes, v. 30
Limited to those with at least 10 years of future eligibility in DC plans

- Terminal wealth = PV of surplus wealth for those who do not run short of money in retirement less PV of retirement deficits for those who do run short
- Assumes 40 bps MA fee

Important Disclosures

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ICanRetire[®]

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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A woman with her hair in a ponytail, wearing safety glasses and a blue lab coat, is focused on working on a smartphone in a factory or assembly line environment. The background shows industrial equipment and other workers, all under a blue color overlay.

ICanRetire[®] Mission

On average, White Americans have 7X the retirement savings of Black Americans and 5X the savings of Latinx Americans.



It is our mission to improve retirement outcomes for underserved groups by making retirement planning accessible to all.

Source: Center for Retirement Research at Boston College. January 2020.

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A man in a white shirt and red apron is working in a bakery. He is standing next to a rack filled with large, golden-brown loaves of bread. The background is slightly blurred, showing shelves with more bread. The entire image has a blue overlay.

Impact

Pilot results show ICanRetire® may effectively translate engagement into action in retirement planning. Here's what we've seen:

Rate of change relative to non-engaged peers

Contribution rate impact

All participants

2x

Participants who visited the site increased their contributions at nearly 2X the rate of those who did not visit the site (16.2% vs. 8.4%).

▲ 46%

Average contribution rate increase across those who made a change (9.2% to 13.5%).



Avoider segment

3x

Avoiders who engaged with the program increased their contributions at nearly 3X the rate of those who did not engage (7.9% vs. 2.8%).

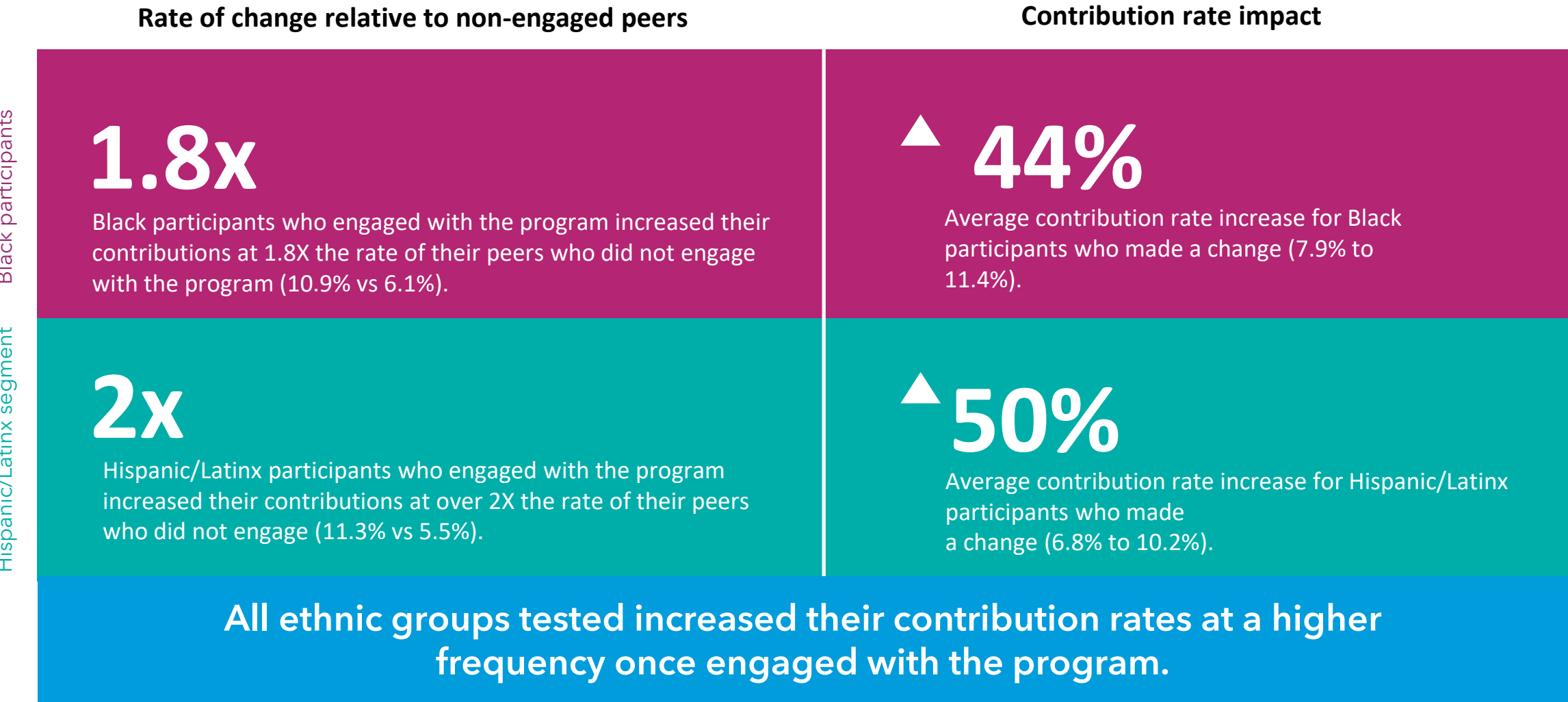
▲ 331%

Average contribution rate increase for Avoiders who made a change (1.6% to 6.9%).

**Among those that made a change*

Pilot results are from the program launch with RWJBarnabas Health (Jan. – Jun. 2021).
Program results may vary.

Pilot results also demonstrate impact with diverse and underserved populations, helping make retirement planning approachable for all.



A photograph of a woman with dark, curly hair kissing a young child on the cheek. The child is smiling and looking towards the camera. The image is overlaid with a semi-transparent blue filter. The text 'Program Overview' is centered in white.

Program Overview

We partnered with one of the largest plan sponsors in NJ to better understand the needs and expectations of American workers.

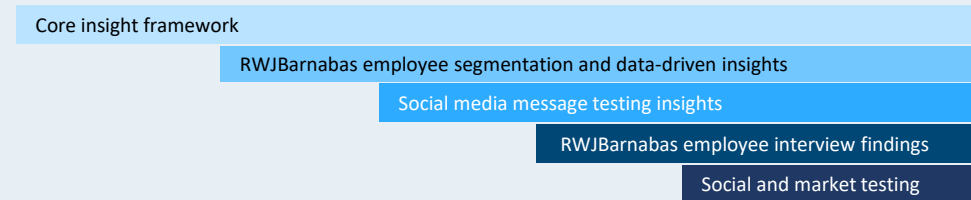


Research and testing

Q2 2019

Q3 2019

Q4 2019



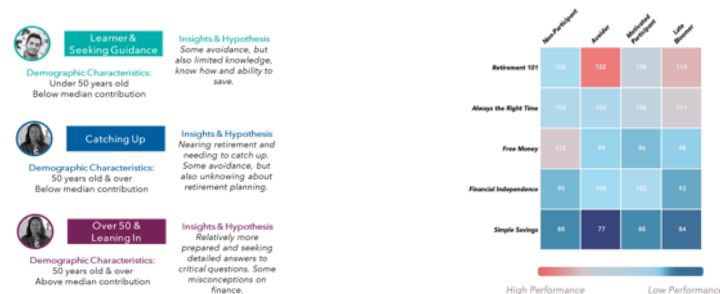
Design, build and execution

Q1 2020

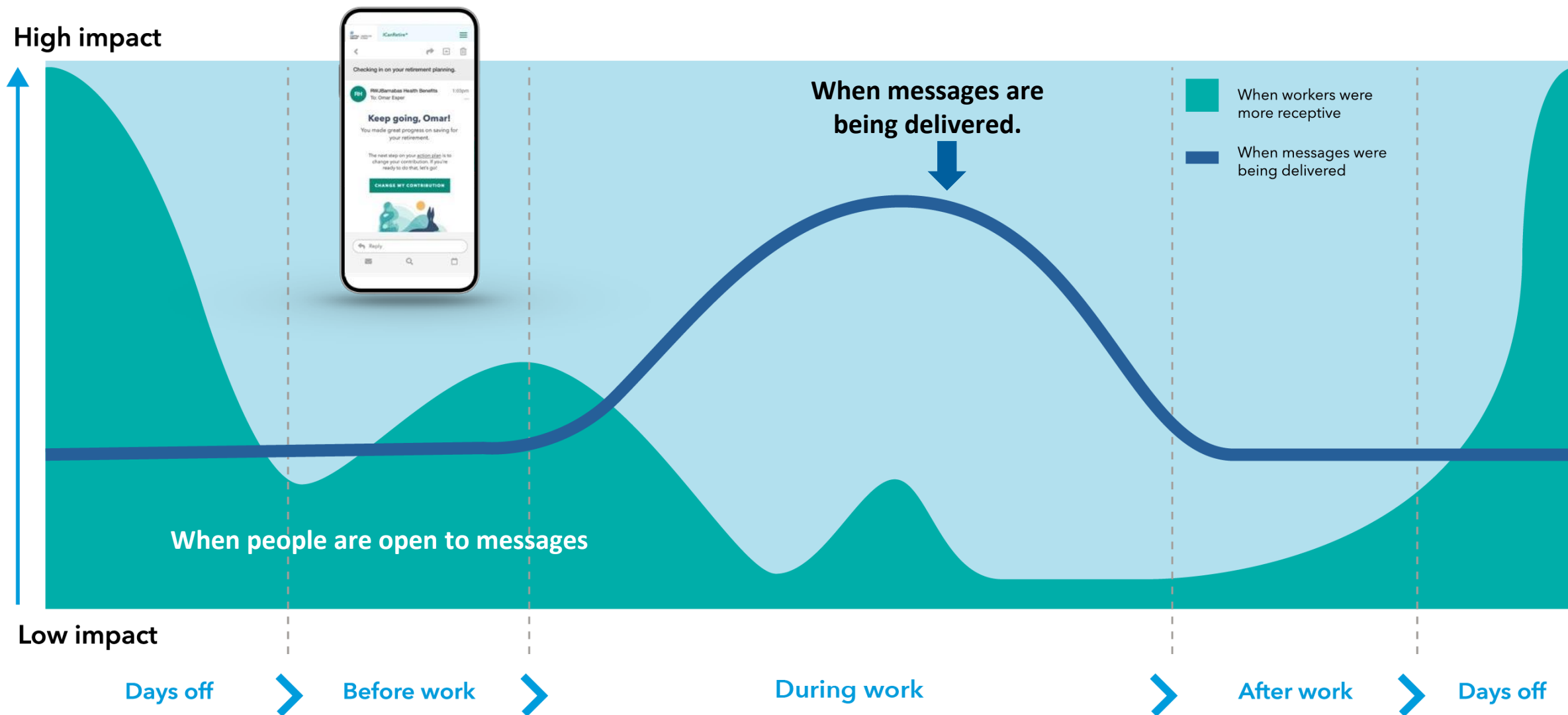
Q2 2020

Q3 2020

Q4 2020



We learned that accessibility and timing are critical factors for capturing attention and driving engagement.

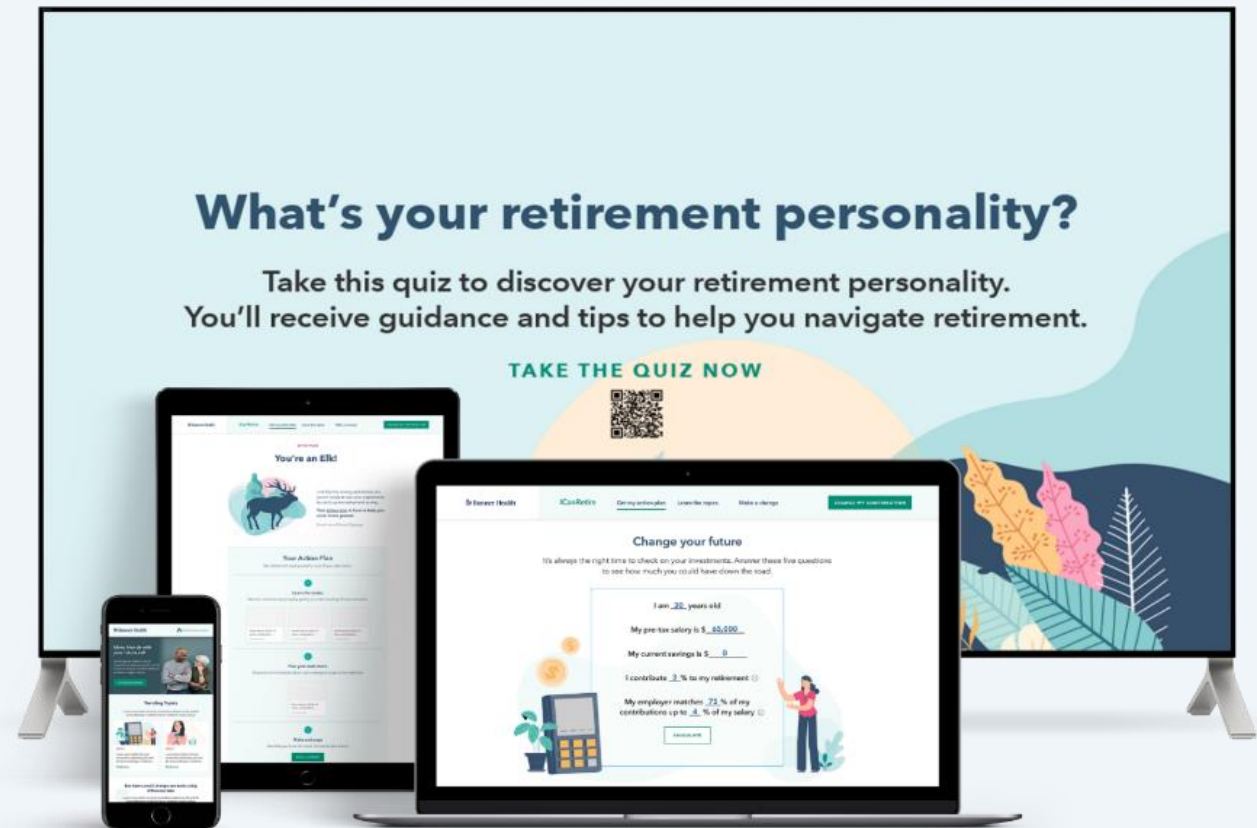


We make retirement planning accessible through tailored, easy-to-understand action plans that meet participants where they are on their investing journey.

Accessible from anywhere, at anytime with no login or app downloads.

Key Features


- Custom, white-labeled site
- Email program to drive engagement
- One-click to recordkeeper
- Custom reporting against plan objectives
- No cross selling to participants
- *No added fee*




The participant's experience begins with a short, fun 'retirement personality' quiz that facilitates a warm introduction and determines their tailored journey.

Question 1 / 5


Which retirement vacation would you take first?




Beach



International City



National Park




Mountains

CAPITAL GROUP
AMERICAN FUNDS

ICanRetire®

Question 3 / 5

How's planning for retirement going so far?




I'm on top of it

I'm doing a little

I have a lot of catching up to do

GET MY PLAN

You're a Rabbit!








You may be just starting out, but like a rabbit, you have all the skills for a speedy comeback.
Hop into your [action plan](#) below to see what's next.

Doesn't sound like you? [Start over](#)

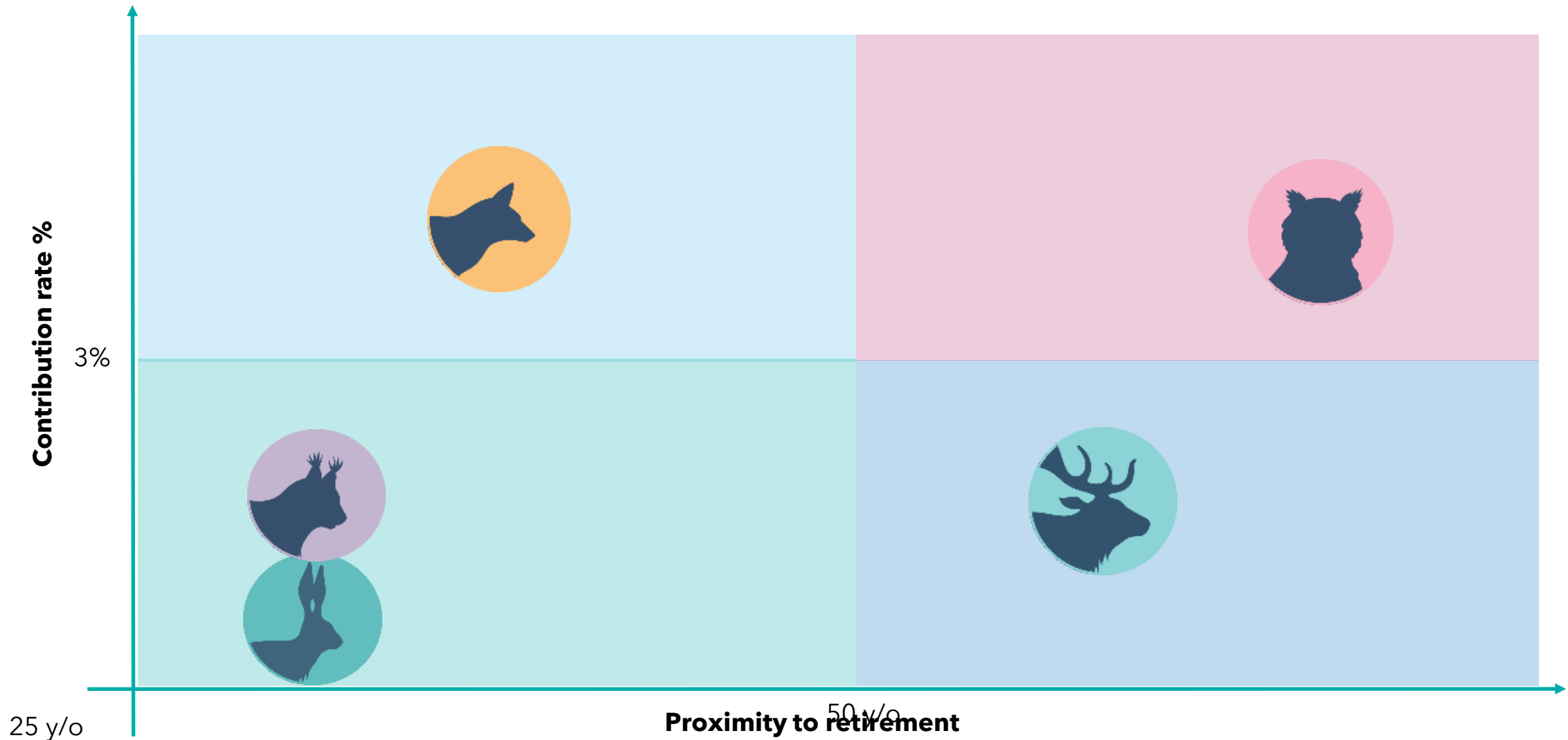
Participation / Motivation

Early-mid career

Near retirement

<div><div>Fox Savvy • Med/High contribution</div></div>	<div><div>Owl Savvy • Med/High contribution</div></div>
<div><div>Lynx Learner • Low contribution</div></div>	<div><div>Elk Avoider • Low contribution</div></div>
<div><div>Rabbit Avoider • No contribution</div></div>	

‘Retirement personality’ segments are based on participation rate, age and level of knowledge.



A man with a beard and glasses, wearing a striped shirt and a white apron, is watering plants with a metal watering can. The background is filled with various green plants, including ferns. The entire image has a blue tint.

Inclusion

Through ICanRetire[®], we are working to create meaningful impact for diverse and historically underserved audiences through three objectives.

Trust and
access



Increase trust in financial institutions and access to retirement planning education

Inclusive
materials



Create inclusive, relatable content and tools that underscore a commitment to representation

Engage and
motivate




Engage all participants with the knowledge needed to inspire and motivate them on their retirement planning journey

Social Media influencers help make content relatable and more approachable.


The content is easy to understand and works to build trust, while offering diverse perspectives on retirement saving.

Money Minute


Want to better understand how to make the most of your money? Get tips from our pros on managing your finances and benefits, from planning to taxes and everything in between.



How can I balance my retirement and life goals?




How much should I contribute to my 401(k)/403(b)?




How much money do I need for retirement?

Featuring




CHELSEA BRENNAN

Smart Money Mamas



KEVIN MATTHEWS II

Building Bread



TRAE BODGE

TrueTrae

In-Depth Insights: *New custom Hispanic personas*

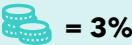


I am...the first of my family to go to college and the first to invest. Although I am proud of my accomplishments, I feel pressure to help my family learn and to take care of them.

Key Attributes

Age: **Under 50**

Contribution:



Financial Knowledge:



Quiz result:
Lynx



Language Preference:
English

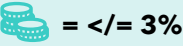


I am...Exhausted! I am wearing so many hats that I have neglected myself and my financial future. I am unsure if I can catch up to have a comfortable retirement, but I don't want to be a burden on my kids.

Key Attributes

Age: **Under 50**

Contribution:



Financial Knowledge:



Quiz result:
Rabbit



Language Preference:
Spanish

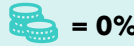


I am...proud of what I've achieved coming to this country with nothing. My kids are opening my eyes to retirement and for them, I am willing to learn.

Key Attributes

50 and above

Contribution:



Financial Knowledge:






Quiz result:
Elk





Language Preference:
Spanish

Culturally Relevant Experiences: *ICanRetire*® + Grammy Museum Foundation Partnership

[My action plan](#)[Get the facts](#)[Run the numbers](#)[CHANGE MY CONTRIBUTION](#)

Money, music and your future



A conversation with artist, actor and humanitarian MAJOR.




Hope will change it all. It's an anchor and it's a great disruptor of circumstances.

Get inspired by GRAMMY-nominated artist MAJOR, as he shares his personal story and performs in this exclusive event, presented by ICanRetire® and the GRAMMY Museum. In a candid conversation, MAJOR discusses the importance of hope and how background and culture can influence how you think about money.


[WATCH THE FULL EXPERIENCE 42 MIN](#)




Hope will change it all. It's an anchor and it's a great disruptor of circumstances.
Get inspired by GRAMMY-nominated artist MAJOR, as he shares his personal story and performs in this ...
2:25 min




Love yourself/understand your value
It's important to pour into yourself and not leave yourself empty.
1:07 min



Fund your hope center
Let's talk about where hope comes from.
1:27 min

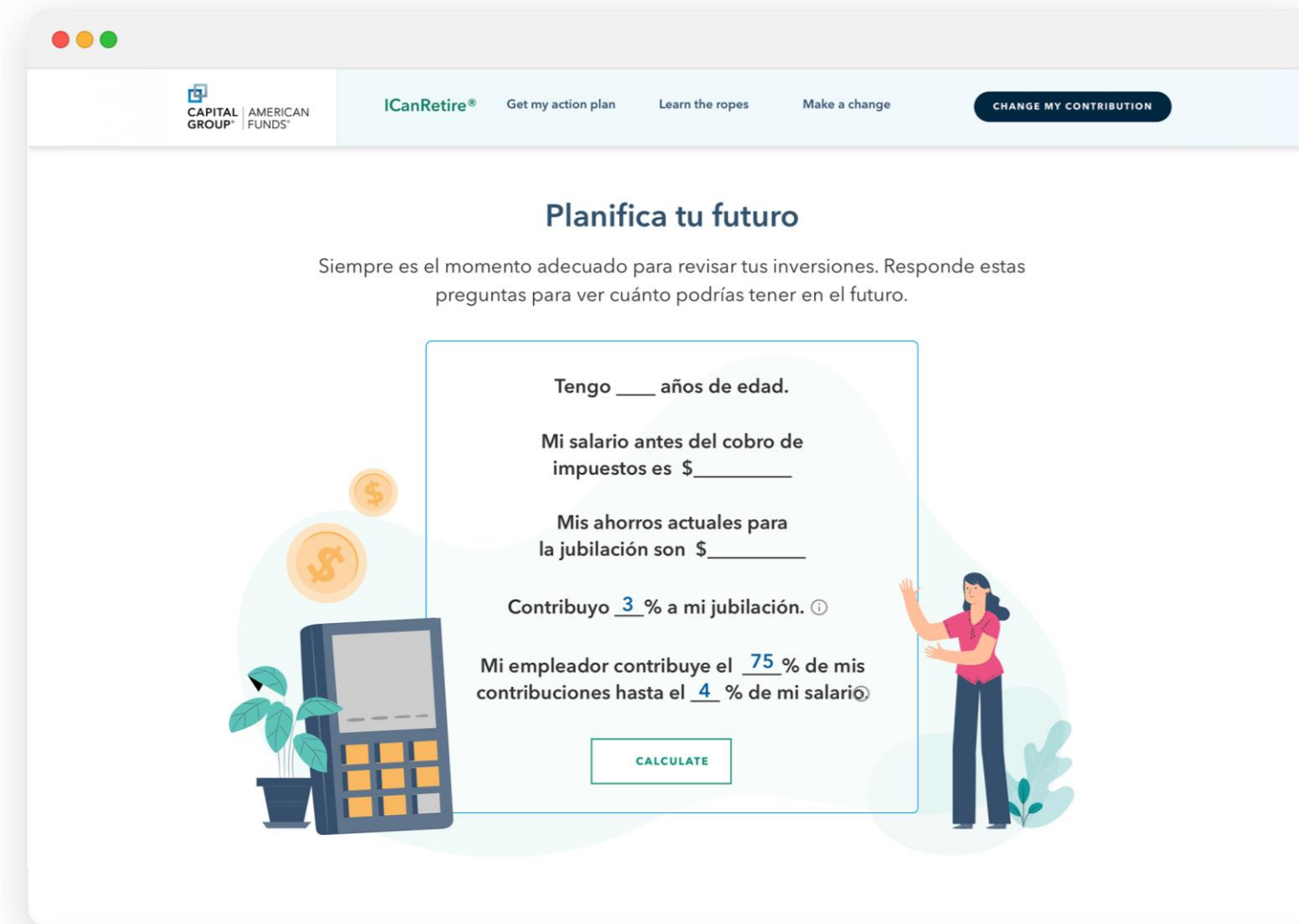


Anything Is Possible
Shift your mindset to see the future opportunities.
6:58 min



Live at the Clive Davis Theater, GRAMMY Museum
Put in your earbuds and enjoy this exclusive ICanRetire event.
12:30 min

Culturally Relevant Experiences: *Testing effectiveness of Spanish language & translation*



The screenshot shows a web browser window with the ICanRetire website. The header includes the Capital Group and American Funds logos, the ICanRetire logo, and navigation links: "Get my action plan", "Learn the ropes", "Make a change", and a "CHANGE MY CONTRIBUTION" button. The main heading is "Planifica tu futuro" (Plan your future). Below it, a paragraph states: "Siempre es el momento adecuado para revisar tus inversiones. Responde estas preguntas para ver cuánto podrías tener en el futuro." (It's always the right time to review your investments. Answer these questions to see how much you could have in the future.)

The form contains the following fields and values:

- Tengo ____ años de edad.
- Mi salario antes del cobro de impuestos es \$_____
- Mis ahorros actuales para la jubilación son \$_____
- Contribuyo 3 % a mi jubilación. ⓘ
- Mi empleador contribuye el 75 % de mis contribuciones hasta el 4 % de mi salario ⓘ

A "CALCULATE" button is located at the bottom of the form. The form is decorated with illustrations of a calculator, a potted plant, and a woman.

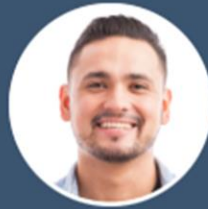
Culturally Relevant Experiences: *Addressing concerns head-on*

Not sure how to choose your investments? Let experienced professionals do it for you in a target date fund.

Learn more by clicking the tiles below



That sounds easy. How do I pick the right target date fund?



I don't have the time or experience to manage my investments. How will this work for me?



What if the market goes down? How can I protect the money I've worked so hard to save for myself y mi familia?



ICanRetire[®]

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

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New Perspectives:

An Intergenerational Discussion on Retirement Solutions

iOme Challenge Forum

June 20, 2023  Washington, DC

This event is made possible with support from:

ACLI • TIAA Institute • Capital Group
TruStage • Nelson Mullins

Special thanks to the U.S. Administration for Community Living for their support of the National Resource Center on Women & Retirement.



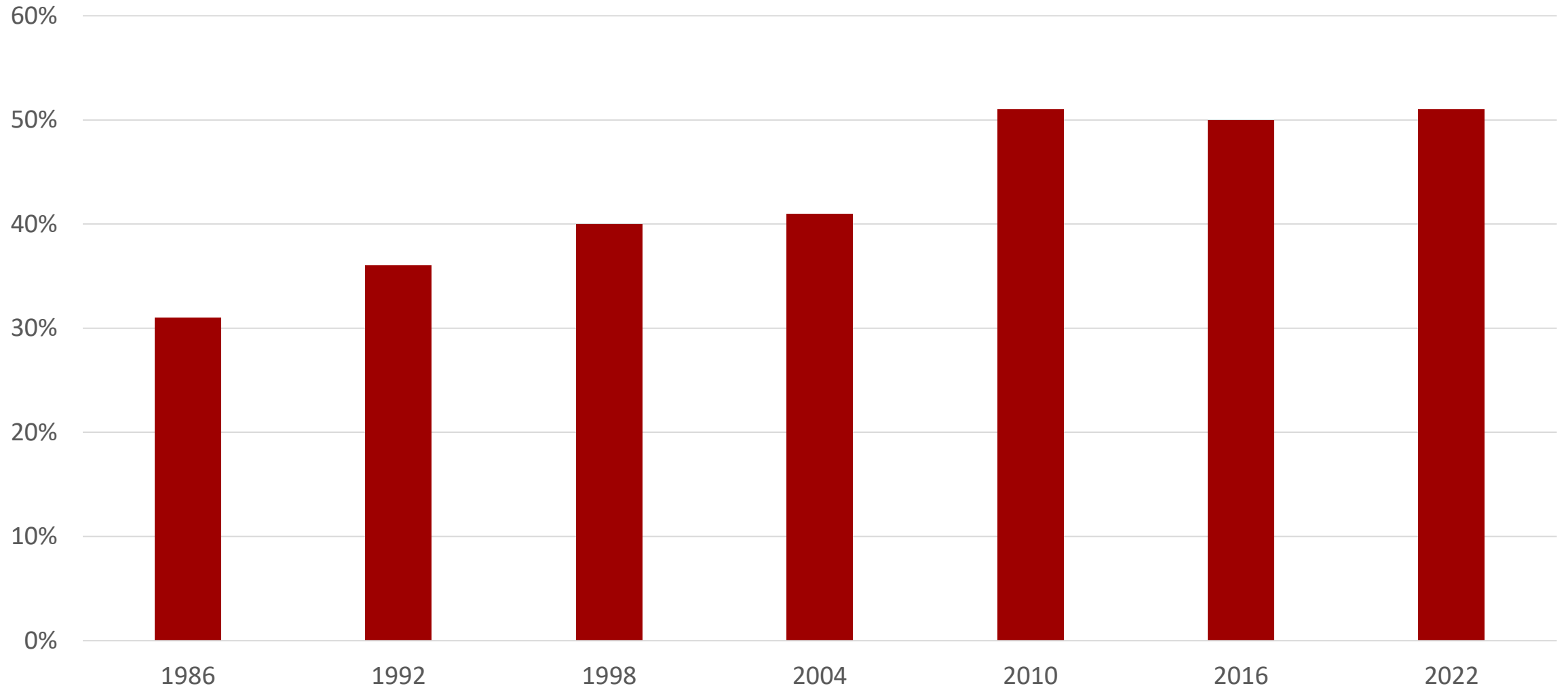


US Retirement Policy

Personalizing Retirement Security

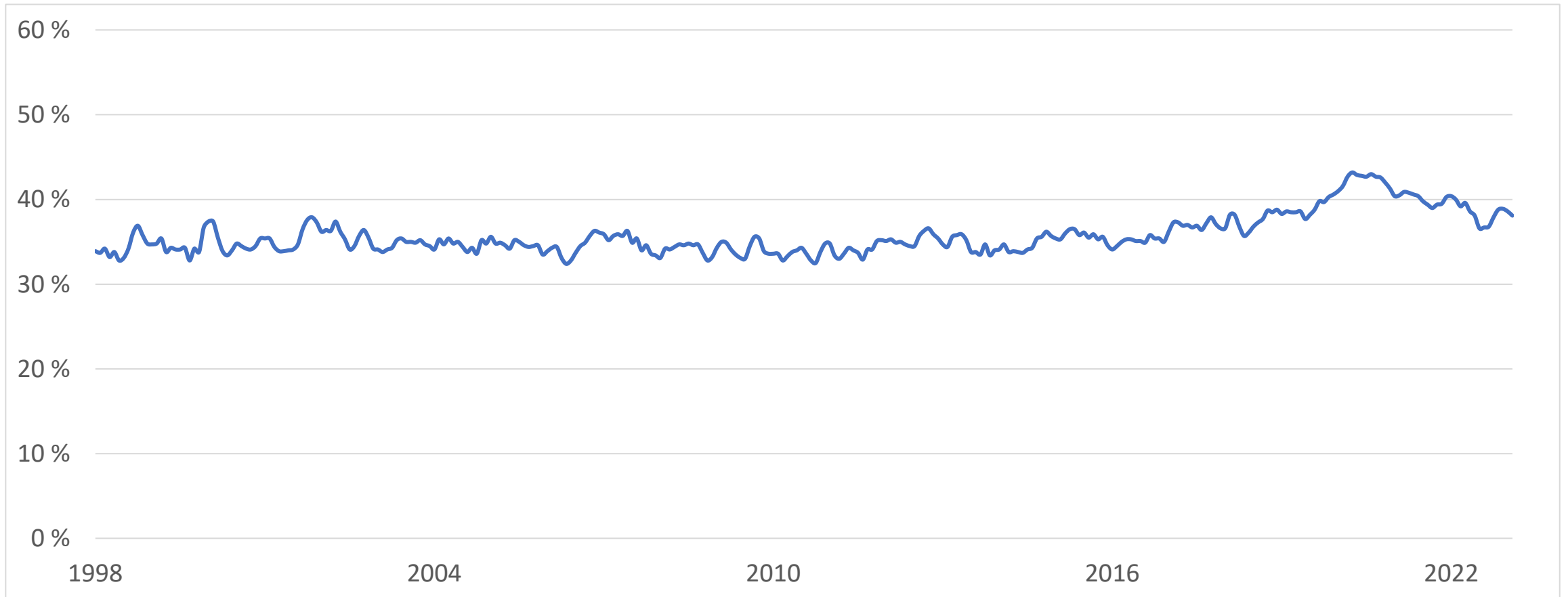


National Retirement Risk Index



Source: Munnell, 2021

University of Michigan Survey of Consumers



Lump Sum Schedule

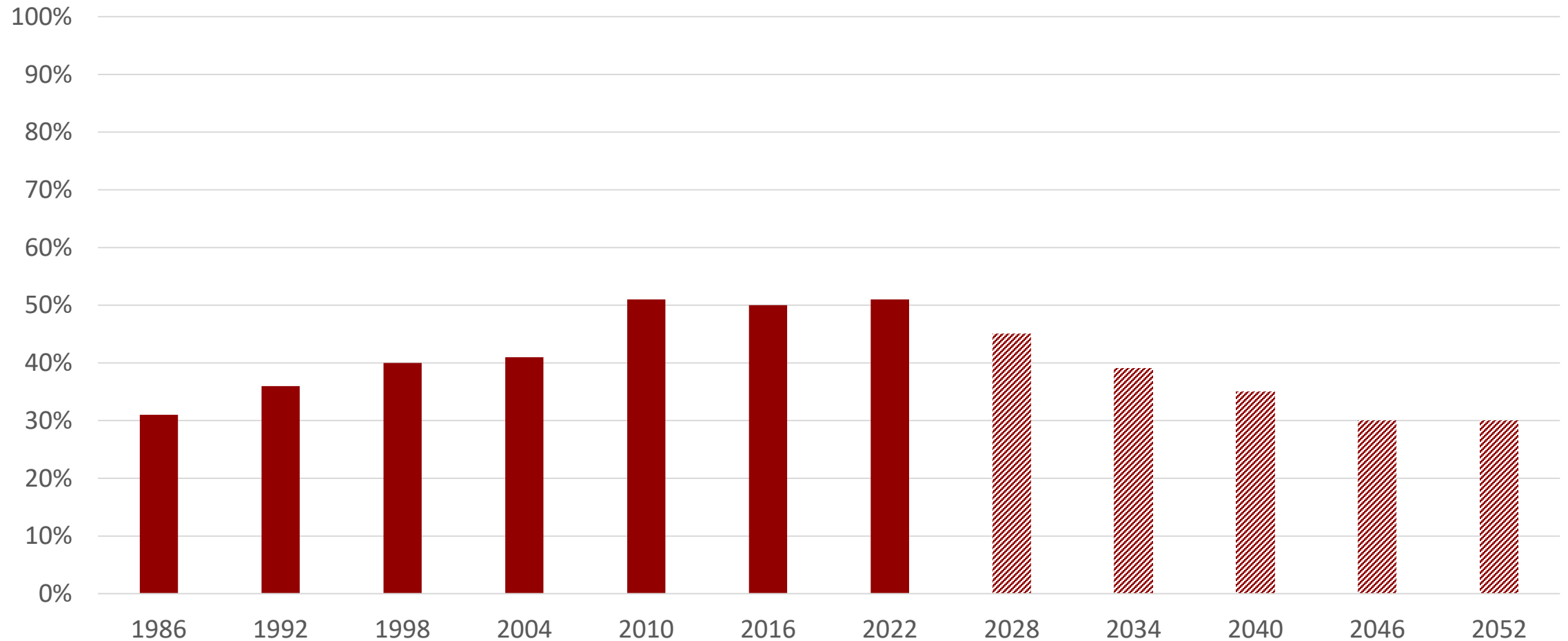
Standard Monthly Payment

Age	% Benefit	Monthly Payment
62	55%	\$1,500
63	60%	\$1,636
64	65%	\$1,773
65	70%	\$1,909
66	75%	\$2,045
67	80%	\$2,182
68	87%	\$2,373
69	93%	\$2,536
70	100%	\$2,727
71	108%	\$2,945
72	116%	\$3,164
73	124%	\$3,382

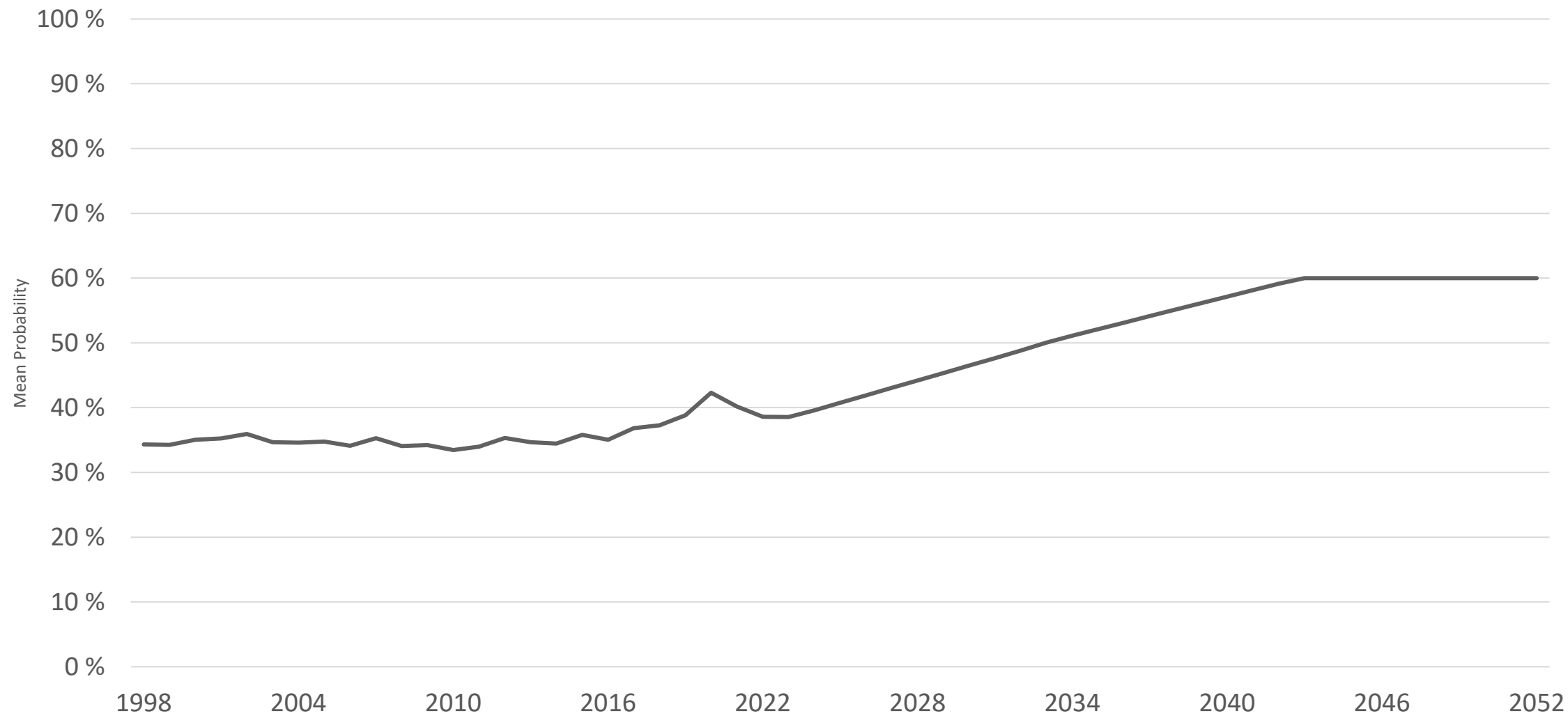
Lump Sum Payment

Monthly Payment	+	Lump Sum
\$1500	+	\$0
\$1,636	+	\$0
\$1,773	+	\$0
\$1,909	+	\$0
\$2,045	+	\$0
\$2,182	+	\$0
\$2,373	+	\$0
\$2,536	+	\$0
\$2,727	+	\$0
\$2,727	+	\$31,197
\$2,727	+	\$57,594
\$2,727	+	\$78,538

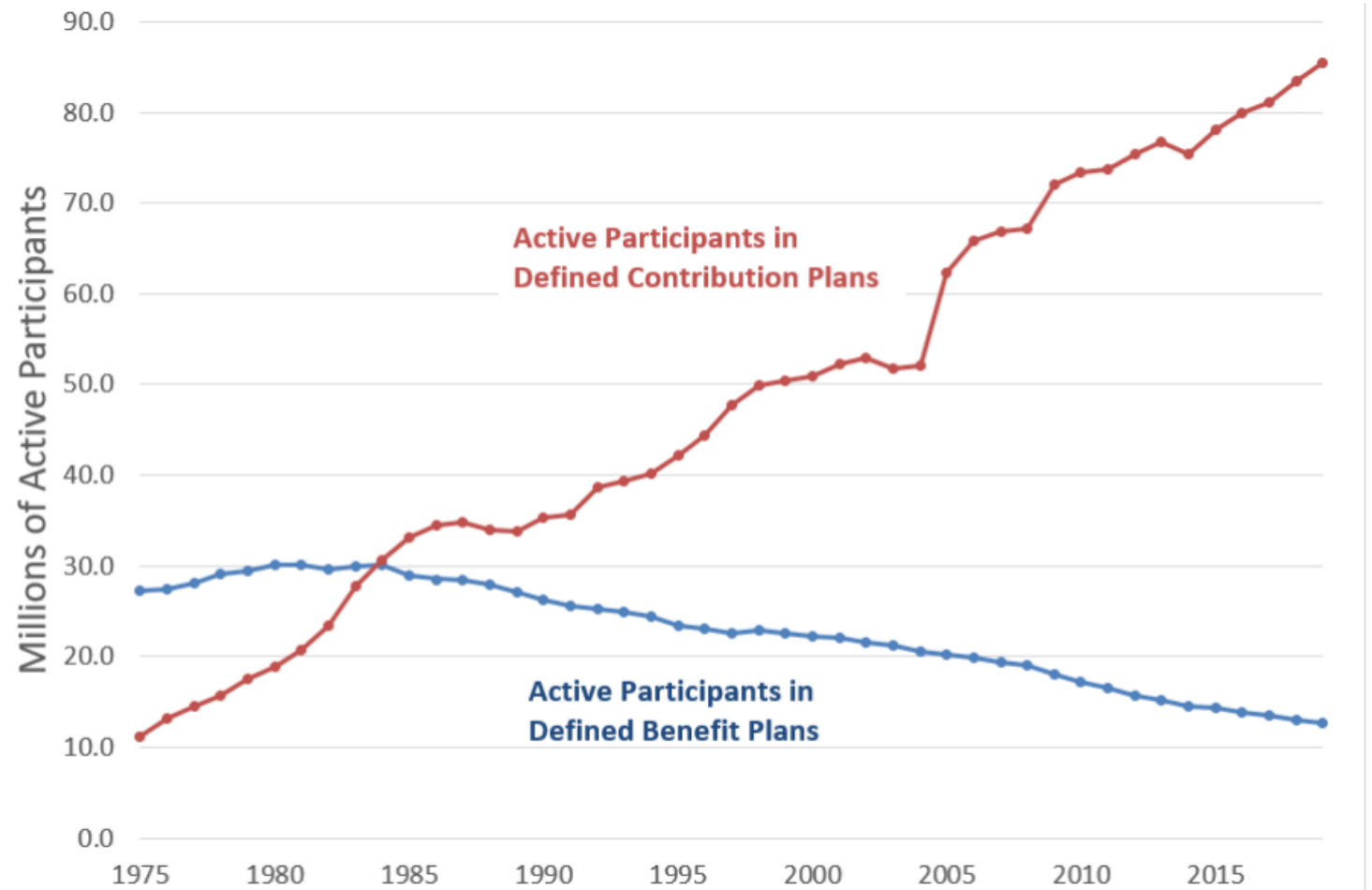
NRRI Projections



Survey of Consumers Projections



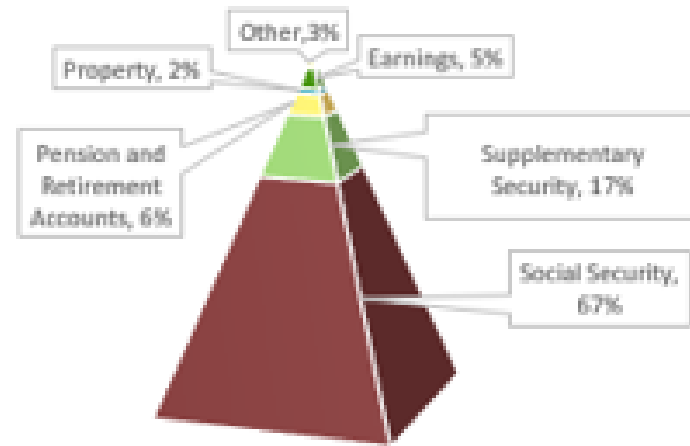
Appendix: DC Plan Shift



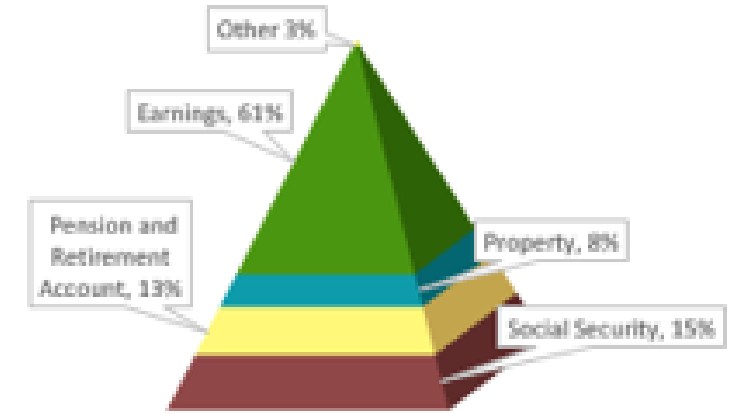
Source: Myers & Topoleski, 2021

Appendix: Sources of Retirement Income

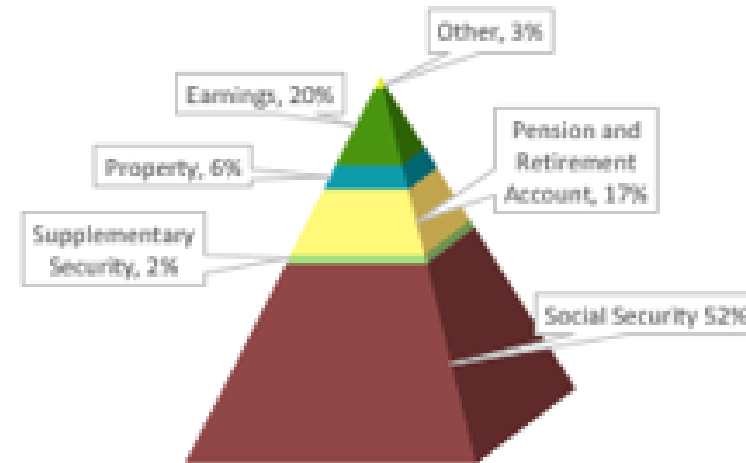
1st Decile Income Earners



10th Decile Income Earners



Average Income Earners



Source: Thompson & King, 2022



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