New Perspectives
An Intergenerational Discussion on Retirement Solutions
iOme Challenge Forum
June 20, 2024  Washington, DC

This event is made possible with support from:

ACLJ  BlackRock  Capital Group  Nelson Mullins
TIAA Institute  Transamerica/Aegon  TruStage

Special thanks to the U.S. Administration for Community Living for their support of the National Resource Center on Women & Retirement, and the CFPB for their partnership.
Discovery Fund

Leveling the playing field for underrepresented founders

“Our mission is to find companies that are producing products and services that are actually improving the lives and financial health of everyday Americans, particularly low- and moderate-income consumers and those who have been underserved by the traditional financial system.”

Elizabeth McCluskey
Director of Discovery Fund

$11M
Total Invested

$5M
TruStage Annual Commitment

$500K
Average Check Size

20
Active Portfolio Companies

2021
Launch Year

Seed+
Early Stage

climb  cushion  Debbie
Ascent  caribou  listo!
GREENLYNE  Starlight  salus
stackwell  CONDUCTIV  FRICH
Sunny Day Fund™  CNote  uprise
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Say Hi👋 to Debbie
Build your net worth. Get paid.
Along with 40% of Americans, I grew up around debt and fell into the vicious cycle and accumulated $15k in credit card debt by the time I was 21.
The current incentives aren’t serving the 90%.

Record high
$1 tn
credit card debt

Record low
2.3%
personal savings rate
Say Hi to Debbie

Earn points for positive financial behavior.

Drive new membership growth through rewards for better habits.
Help consumers upgrade their financial mindset.

Reduce risk while increasing deposits.

Improve Financial Well-being
Expand your community

Reach our network of young consumers, and your community.

Reward them for taking action.
Motivate engagement on your accounts.

Bonus multipliers for engagement on your accounts.

Get your member’s full financial picture.
Help prospective members improve their financial standing through personalized savings and loan offers.
Impact
Debbie users have paid off over $1m of debt collectively, and active users pay off 3x faster

Michelle
20% → 9%
APR reduction on her $20k credit card debt

Gina
$1,000
Emergency fund in less than 6 mo, from $0

Jon
$3,000
In credit card debt paid off in 6 months
Results
We have driven significant results for our partners

- Over 1k New member applications per month
- 2x Monthly average deposit growth
- 35% Reduction in delinquencies
Changed my life
Debbie has been so fantastic! The modules are interesting and changing my money habits has impacted all the other aspects of my life too. I feel more confident in my money and prepared for the future. There aren’t any gimmicks or catches, but you have the option of paying a fee or opening an account with one of their partner credit unions. LFCU’s high interest rates make it worth it to save. 100% recommend Debbie to anyone at any point on their personal finance journey.
The Use and Value of Financial Advice for Retirement Planning

Abstract

Offering professional advice around the retirement planning process represents an important component of the financial services industry. We examine the demographic, investment, and behavioral characteristics of individuals who obtain this advice as well as the economic value that it ultimately adds. Using a survey of more than 4,000 working households, we find that wealth and income levels are positively correlated with the decision to engage a professional advisor, as are such factors as marital status, age, and education level. To assess the value added by this advice, we develop a unique metric of retirement income replacement which incorporates health-based life expectancy and household-specific financial circumstances. The approach estimates the percentage of annual pre-retirement income that a household will be able to spend each year in retirement. We establish the unconditional finding that advised households generate significantly larger proportions of post-employment spending (both gross and net of Social Security benefits) than do non-advised households. Controlling for additional explanatory factors, we find that an advisor adds more than 15 percentage points of income replacement in retirement. These findings support the conclusion that obtaining and implementing financial advice in the retirement planning process leads to a demonstrable increase in the level of sustainable retirement spending.

JEL Classification: G1, G11, G2, G23, C51

Key Words: Financial Advice, Retirement Income Replacement, Retirement Planning, Registered Investment Advisors
AI-powered financial advisory for small business owners, as a service

jessica@uprise.us
AI Financial Advice Will Change Everything
Business owners need advice and companies need revenue, but they’re talking past each other.

For Small Business Owners:
- Traditional financial and tax advice is out of reach
- Lack of awareness and time
- Hard to know who to trust

For Companies:
- Products are underutilized
- Cross-selling hasn’t worked
- Lack of insight into customers’ lives

Thank you for reaching out. We are unable to provide specific financial or tax advice. We recommend consulting a qualified tax advisor to discuss your individual situation.
Financial advisory for small business owners, by the best in AI + human ingenuity
Does financial advice even matter?
The Use and Value of Financial Advice for Retirement Planning

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Key Words: Financial Advice, Retirement Income Replacement, Retirement Planning, Registered Investment Advisors
Panel A. RIR Histograms

15.1% increase in retirement income replacement

Higher savings rate
More equity investments
Uses sophisticated products
Obtains insurance
Has a financial plan

Higher savings rate
More equity investments
Uses sophisticated products
Obtains insurance
Has a financial plan

Greater financial confidence

Financial advisory for small business owners, by the best in AI + human ingenuity
Our proprietary tech delivers superhuman service at a 600 : 1 ratio

Recommendation engine + advisor workflows
Database of 35 topic areas (& growing)
Human CFPs provide feedback and training
Financial advisory becomes ubiquitous
Thank You

jessica@uprise.us
Starlight
Empowering Underserved Communities
Starlight Mission:

Simplify access to government benefits and improve the financial lives of underserved communities
46.6% of members with credit score below 680 have had a loan rejection in the last 12 months

22% of households are unbanked or underbanked

60% of households live paycheck to paycheck
Many members are struggling and facing financial hardship.

At the same time, $140B in government financial assistance goes unclaimed each year for over 50M households in need.
Meet Amy, a member of Acme CU.

Amy is a single mom, working 2 jobs to make ends meet, and struggling to keep up with her bills.
At ACME Credit Union, we understand that life's journey can sometimes lead to unexpected financial challenges. That's why we're excited to introduce our new program: Financial Help through Government Benefits.

Life's journey can sometimes lead to unexpected financial challenges. We are here to help.

Let's get started.

Sign in with Google

or

Sign in or sign up with phone

This product is powered by Starlight. By signing in, you agree to our Terms of Use and Privacy Policy.
First, some basics...

Let's start by identifying benefits that might be relevant for you.

Does the information below look up-to-date?

Zip code
48152
edit

Household Size
3
edit

Household Income:
$XXXXX
edit

We found you benefits!

Based on your information, we think we can help you save in these areas!

SNAP
Utilities
Childcare

Continue
Saving on Utilities

Michigan offers heating bill assistance with the Low Income Home Energy Assistance Program (LIHEAP).

382,591 households in Michigan received LIHEAP.

Each household saved $536 on average per season.

If you are interested in applying, we are here to help.

Yes, let's do it
Amy successfully applies and receives assistance on her utilities bill, reducing her monthly expenses. This extra cash flow helps with:

- Paying down existing loans
- Avoiding overdraft protection
- Building savings

Realizing Benefits
Starlight also tracks and reports on engagement, savings, and impact for the credit union.
Financial assistance we help members access

Existing Programs
- SNAP (food)
- Medicaid (health insurance)
- LIHEAP (utility bill assistance)
- WIC (food for young moms/babies)
- CCAP (childcare assistance)
- UI (unemployment insurance)
- EITC (earned income tax credit)
- CTC (child tax credit)
- ...more coming!

CU-specific programs

We can add additional financial assistance programs that are specific to each credit union, such as:
- Local / county-level benefits
- Down payment assistance programs
- Private grant programs, e.g. Neighborhood Impact Program
We are an early-stage fintech with strong backing and tech experience

Catherine Xu
Co-Founder
Former product lead @ LinkedIn,
Computer Science @ Stanford

Shreenath Regunathan
Co-Founder
10 years @ Google in product and strategy
Let’s put the credit union difference into action.
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Looking forward

2024 priorities

Improving participant engagement and outcomes remain top priorities for plan sponsors. Voluntary provisions introduced in SECURE 2.0 are also a key focus.

The top priorities for defined contribution (DC) plans in the next 12 months

<table>
<thead>
<tr>
<th>Priority</th>
<th>2023 (n=49)</th>
<th>2022 (n=52)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant engagement</td>
<td>67%</td>
<td>44%</td>
</tr>
<tr>
<td>SECURE 2.0 voluntary provisions*</td>
<td>41%</td>
<td>37%</td>
</tr>
<tr>
<td>Improving participant outcomes</td>
<td>52%</td>
<td>33%</td>
</tr>
<tr>
<td>Review existing or evaluate adding retirement income options*</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Recordkeeper evaluation</td>
<td>21%</td>
<td>18%</td>
</tr>
<tr>
<td>Participant demographic analysis</td>
<td>25%</td>
<td>18%</td>
</tr>
<tr>
<td>Cybersecurity*</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Reevaluation of fixed income plan options*</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Recordkeeper search</td>
<td>19%</td>
<td>12%</td>
</tr>
<tr>
<td>Deep dive evaluation of your target date/QDIA option*</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Inflation protection</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Alternatives in DC*</td>
<td>12%</td>
<td>4%</td>
</tr>
<tr>
<td>Manager evaluation of ESG*</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Custom target date series</td>
<td>0%</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Response option not shown in 2022.

Slide illustrates data from public and corporate DC plan sponsors. Please see page 6 for further details.

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Saver’s Match

The Promise and the Challenges of the Saver’s Match Program
Impact of Mobile Workforce and Plan-Driven Changes

21.9MM ELIGIBLE SAVERS ANNUALLY – ALL SOURCES (EBRI)

DC SAVERS IN-TRANSITION:
- 4.9MM – Change Employers (26.1%):
  - 4.1MM – New Employer w/New Plan (21.9%)
  - 0.8MM – New Employer w/No Plan (4.2%)

DC SAVERS AFFECTED BY PLAN CHANGES:
- 0.9MM – Leave Workforce (4.8%):
  - 0.8MM – Retire (4.4%)
  - 0.1MM – Die (0.4%)
- 1.4MM – In Terminated Plan or Plan w/New Provider (7.4%):
  - 0.9MM – Employer Changed Recordkeeper During Year (4.9%)
  - 0.5MM – Plan Terminated During Year (2.5%)

5.8MM (30.9%): ELIGIBLE DC SAVERS AFFECTED

18.9MM DC System

2.0MM 1.0MM
Roth IRAs

DC SAVERS AFFECTED BY PLAN CHANGES:
- 1.4MM (7.4%): ELIGIBLE DC SAVERS AFFECTED

OVERALL, 7.2MM (38%) OF ELIGIBLE DC SAVERS COULD BE AFFECTED BY JOB-CHANGING AND/OR PLAN-LEVEL CHANGES
Key Finding #1: The Saver’s Match Program Could Exert a Powerful Influence on Savings Behaviors Among Both Savers and Non-Savers.

- **89.9% of eligible savers** indicated that they would be very likely (45.9%) or somewhat likely (43.9%) to contribute more to receive a larger matching contribution.
- **73.5% of non-savers** indicated that they would be very likely (26.8%) or somewhat likely (46.8%) to begin saving to receive a program matching contribution.
- **8.5 million savers could be added from the ranks of non-savers**, based upon survey data, and consistent with recent EBRI Saver’s Match sizing analysis.
**Key Finding #2: Black and Hispanic Savers Are Likely to Benefit Disproportionately from the Program.**

- **Black and Hispanic savers:**
  - Represent 25.6% of eligible savers, vs. overall defined contribution plan participation levels of 18.6%.
  - **Are younger** than their White counterparts, with mean ages of 37.1 years and 36.6 years, respectively, vs. White savers (42.4 years).
  - **Have lower retirement savings account balances and lower household incomes** than White savers.
- **93.6% of Black savers and 92.3% of Hispanic savers** indicated they would contribute more if there were a federal matching contribution.
- **Among non-savers, 78.2% of Hispanic Americans and 76.9% of Black Americans** indicated they would be more likely to participate in a DC plan if it were offered by their employer.
How Effective Might the Saver’s Match Be in Mitigating Race/Gender Disparities in 401(k) Plans: Evidence from the Collaborative for Equitable Retirement Savings Project

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Jack VanDerhei, PhD
Director of Retirement Studies
Morningstar Center for Retirement and Policy Studies
Morningstar Investment Management LLC
Exhibit 5:
Average Increase In Account Balance To Salary Ratio At Age 65 As A Result Of The Saver's Match By Behavioral Scenario For Participants Currently Eligible Assuming Married Filing Status And No Spousal Income: All Ages Combined

Source: Collaborative for Equitable Retirement Savings. 2022 Data.
Exhibit 6:
Average Increase in Account Balance/Salary Ratio at Age 65 as a Result of the Saver’s Match by Behavioral Scenario for All Participants Regardless of Eligibility Assuming Married Filing Status and No Spousal Income: All Ages Combined

Source: Collaborative for Equitable Retirement Savings. 2022 Data.
Disclosures

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Investing in Our Future: A Transition to Sustainable Retirement Security

June 20, 2024
Team Members

Roy Randen
MBA '25

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M.S. '24

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The current pay-as-you-go (PAYG) Social Security system is unsustainable due to demographic changes.
- Aging population
- Declining birth rates
- Increasing dependency ratio

This demographic shift results in Trust Fund depletion by 2035
Our Strategy

1. **Proactive approach:** Implement changes before the trust fund is depleted to enable a smooth transition.

2. **Reaffirm social contract:** Reaffirm and strengthen the longstanding social contract between the government, American workers, and their families.

3. **Innovative adaptation:** Adapt to the realities of a changing America and shifting workforce dynamics.

4. **Equitable and sustainable:** Balance equity and sustainability, ensuring the system remains fair for all generations.
## Our Solution

### Individualized Accounts
- SS contributions automatically invested with target-date fund approach
- Accounts are not heritable; Unspent balances subsidize safety net elements of SS. Option for partial quasi-heritability once trust fund recovers.

### Increase Revenue
- Remove payroll cap
- Increase tax rate to 7.2% for above cap earners

### Reduce Expenses
- Maintain after tax benefit levels for sunsetting PAYG generation, with a 10% nominal reduction defrayed by altering tax treatment of benefits.

### Equitable Transition
- Boomers accept nominal reduction with maintained after tax benefits
- Gen X, Millenials, Gen Z accept
- Retirement age increase to 70
- Keep 75% of contributions through 2056. 25% of their contributions go to ongoing subsidy of Boomers

### Outcome
- Fulfill social contract for those near retirement
- Create a much brighter future for those with time to save and invest
- Permanently unlink retirement security from demographic ratios
Timeline for Policy Rollout

2030
- Remove payroll cap on high-earners
- 1% payroll tax increase on high-earners
- 10% reduction in PAYG system benefits
- Increase retirement age to 70

2036
- Individualized accounts open (born 1974 and earlier)

2043
- Last entrants into PAYG system (born 1973)

2056
- Non-high-earners begin to save 100% of their contributions in individualized accounts
Methodology

Model Inputs

- **Population projections**: based on UN estimates and projections of the US population up to year 2100; used to calculate working age and retiree populations

- **GDP growth**: historical average annual growth used to adjust future income and contribution estimates.

- **Labor force participation rates**: used to calculate US labor force from the working age population

- **Unemployment rates**: used to calculate total workers from the labor force
Results of Proposed Transitions

**Trust Fund balance**

- Trillions
  - 2025: $2
  - 2035: $14
  - 2045: $10
  - 2055: $8
  - 2065: $6
  - 2075: $4
  - 2085: $2
  - 2095: $0

**Contributions vs. Payouts**

- Total contributed
- Total payouts (negative)
- Net

- Trillions
  - 2025: $4
  - 2035: $3
  - 2045: $2
  - 2055: $1
  - 2065: $0
  - 2075: ($1)
  - 2085: ($2)
  - 2095: ($3)
The proposed 10% nominal cut to benefits maintain the trust fund's solvency over the long term without altering Social Security's status as a revenue-constrained entitlement program.
Implementing the proposed changes in 2030 balances timely intervention with political feasibility, keeping the trust fund solvent.
The 75% retention rate (i.e. 25% subsidy rate) for individualized accounts during the transition period allows for a smooth transition away from the PAYG system without exhausting the trust fund.
Parameter Sensitivity: Labor Force Participation Rate

Maintaining a strong labor force participation rate (e.g., 65% or higher) is crucial for the long-term solvency of the Social Security trust fund.
Conclusion

• Our proposal is a call to renew our commitment to the well-being of American workers and their families
  o Demographic changes make a PAYG system unsustainable
  o Trust fund balance will run out of money by 2035 if nothing is done

• Transitioning to individualized accounts invested in high return assets will result in increased lifetime benefits, but also require sacrifices from all:
  o Lifting the retirement age to 70
  o Higher taxes for the wealthy
  o Retirees grandfathered into the legacy PAYG system keep 90% of their benefit
  o Workers retain 75% of contributions through 2056

• By embracing change and working together, we can create a Social Security system that is resilient, responsive, and ready for the challenges ahead
Acknowledgment

Prof. Phillip H. Phan

Prof. Xian Sun

Prof. Nagpurnanand Prabhala
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