Discussion of:

“How Will Retirement Saving Change by 2050?”
by Gale, Gelfond, and Fitchner

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This paper considers how the Millennial generation will fare in retirement

Is this an ambitious exercise?

No doubt! They are trying to draw conclusions about how Millennials finances will evolve over the next 30 years.

Does that mean we shouldn’t pursue this question?

No! We need to explore it now—it can take decades to fully realized the benefits of policy changes to address retirement security.
GGF main arguments (1)

**Empirical result**—Millennials lag earlier generations in wealth accumulation at this stage (results from 2016 SCF)

**Speculation**—

Millennials likely to be advantaged by more education, more years of work

Millennials likely to be disadvantaged by coming of age in weak economic times, decline of traditional work arrangements, shift from DB to DC retirement plans, delayed onset of retirement saving, longer retirements to finance, coming fiscal challenges of nation, and low rates of return
GGF main arguments (2)

Another important consideration—higher minority representation (defined as races other than non-Hispanic white) for Millennials

Minorities have historically struggled more to save for retirement

Could this change? Perhaps, but paper presents an empirical analysis showing struggles still evident after controlling for income, education, etc. and the black-white gap having grown over time
All in all, GGF paint a concerning picture

My sense is that we should take these arguments fairly seriously

Digging in a little further on patterns they highlight and other factors:

Unevenness of Great Recession recovery by income group

Leveling off of retirement account participation

Apparent lack of saving adjustment by earlier cohorts in response to reduction in defined-benefit pension coverage

Student loans, especially the racial disparities
Unevenness of Great Recession recovery by income group

Redoing the Dettling, Hsu, and Llanes (2019) analysis of the “wealthless recovery” for younger households alone

Aggregate real wealth was up by 10% between late 2007 and 2016

But, in 2016, young households in the bottom 30% of the income distribution were doing much worse not only compared with 2007 but also compared with 2010!
Leveling off of retirement account participation

We know that making saving easy and automatic important for getting much of the population to save (e.g. Chetty, et al., 2014)

Moreover, as Feiveson and Sabelhaus (2019) show, capital gains have played a key role in the wealth accumulation of earlier generations

But participation in defined contribution plans has leveled off for young households and others
Apparent lack of saving adjustment by earlier cohorts in response to reduction in DB pension coverage

The share of households in their peak saving years with some degree of coverage by a defined-benefit plan is way down from where it was in the 1990s—and yet there is little evidence that they have increased saving to compensate.

This example bodes poorly for the prospects of Millennials to compensate for the disadvantages they’ll face relative to earlier generations.
Student loans, especially the racial disparities

2008 Grads with Student Debt in 2012

- White: 71%
- Black: 88%
- Hispanic: 73%
- Asian: 65%

Average Debt for 2008 Grads (with Debt) in 2012

<table>
<thead>
<tr>
<th>Race</th>
<th>Average Debt</th>
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</thead>
<tbody>
<tr>
<td>White</td>
<td>$28,006</td>
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<tr>
<td>Black</td>
<td>$52,726</td>
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<tr>
<td>Hispanic</td>
<td>$29,949</td>
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<td>Asian</td>
<td>$26,253</td>
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</tbody>
</table>

Data from Scott-Clayton and Li (2016)
Policy implications

Fix Social Security progressively

More accounts that help people saving

More Pell grants, fewer student loans
Finally, ideas for the data

More to overcome issue of it being at the household level

Add a minority oversample to the SCF

Only 750 observations—not a lot to try to tease out the complicated issues around the racial wealth gap

Already have a high-income oversample and this seems easier (less complicated finances, fewer concerns about masking identifiable cases)

Not just this issue but to address the burgeoning concerns about self-reinforcing dynamics
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<tr>
<th>RACECL4</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1: White, non-mixed race</td>
<td>81.4%</td>
<td>80.6%</td>
<td>82.9%</td>
<td>80.5%</td>
<td>79.9%</td>
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<td>71.0%</td>
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<td>9.8%</td>
<td>9.2%</td>
<td>8.8%</td>
<td>9.4%</td>
<td>10.0%</td>
<td>10.3%</td>
<td>8.7%</td>
<td>11.4%</td>
<td>11.3%</td>
<td>12.2%</td>
<td>10.3%</td>
<td>1,538</td>
<td>1,790</td>
<td>1,899</td>
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<tr>
<td>3: Hispanic/Latino, non-mixed race</td>
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<td>5.6%</td>
<td>4.1%</td>
<td>5.8%</td>
<td>6.1%</td>
<td>7.5%</td>
<td>6.5%</td>
<td>8.9%</td>
<td>8.3%</td>
<td>8.9%</td>
<td>7.0%</td>
<td>806</td>
<td>1,089</td>
<td>886</td>
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<tr>
<td>4: Other</td>
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<td>4.2%</td>
<td>4.3%</td>
<td>3.9%</td>
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