

Discussion of:

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

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**2020 ASSA Meeting
January 3, 2020**

Gale, Gelfond, and Fitchner consider how the Millennial generation will fare in retirement

A MIX OF EMPIRICAL RESULTS AND SPECULATION

Empirical result—Millennials lag earlier generations in wealth accumulation at this stage (Survey of Consumer Finances)

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

Speculation—Millennials are likely to be challenged by “later launch,” coming of age in weak economic times, decline of traditional work arrangements, shift from DB to DC retirement plans, longer retirements to finance, coming U.S. fiscal challenges, and low rates of financial return

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A MIX OF EMPIRICAL RESULTS AND SPECULATION

Speculation—Millennials may be disadvantaged by greater representation by minority groups that historically have struggled more to build wealth

Empirical result—lower wealth accumulation among these groups still evident after controlling for income, education, and marital status

Indeed, the conditional black-white wealth gap appears to have grown over time!

The paper is well-argued, with interesting results

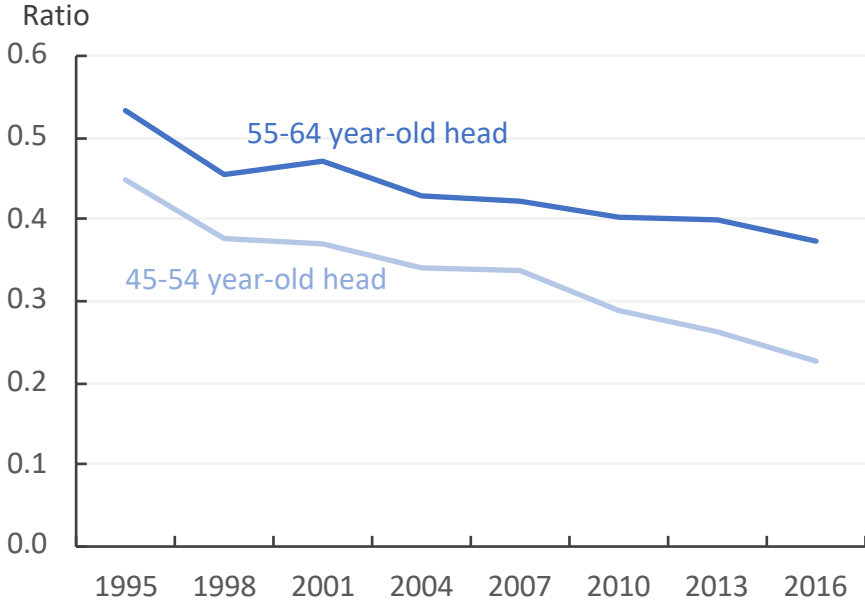
No doubt that it is an ambitious exercise—they are trying to draw conclusions about about how the finances of the Millennials will look 30 years hence!

But, to get the right policies in place, we should pursue this question now as it can take decades to fully realized the benefits of policy changes aimed at addressing retirement security

Remainder of my comments—**what related questions might we want to answer as we think about what policy changes are needed?**

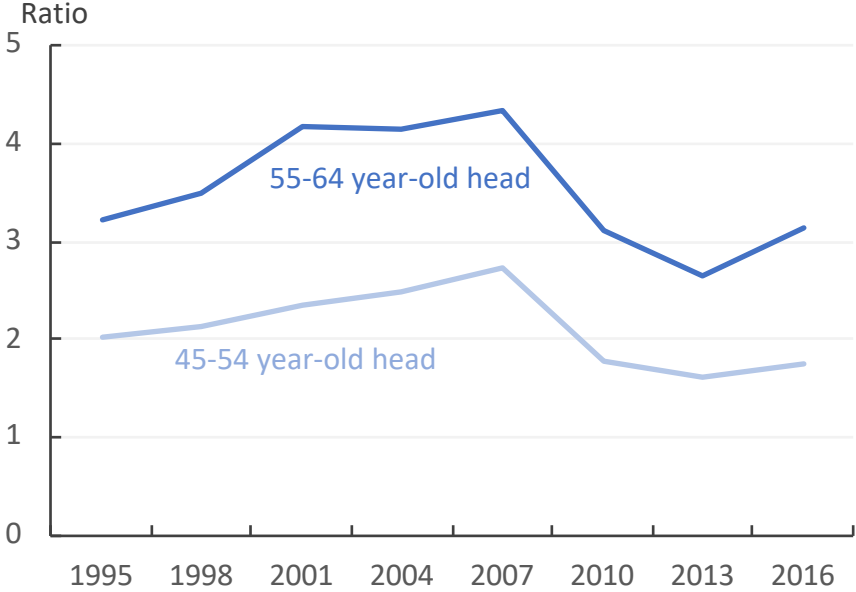
Question 1: Why did earlier cohorts seemingly not adjust their saving in response to reduction in DB pension coverage?

Share of Households Approaching Retirement Reporting Some Private DB Coverage



Source. Survey of Consumer Finances; author's calculations

Median Ratio of Net Worth to "Usual" Income for Households Approaching Retirement



Source. Survey of Consumer Finances; author's calculations

Question 1: Why did earlier cohorts seemingly not adjust their saving in response to reduction in DB pension coverage?

Is the lack of response based on some sort of rational calculation?
(Plans to work longer, expectations of bequests, view that earlier generations had “more than enough”)

Are people making the right underlying assumptions?

Is the lack of response not even based on a rational calculation?
(Behavioral barriers, other obstacles to saving)

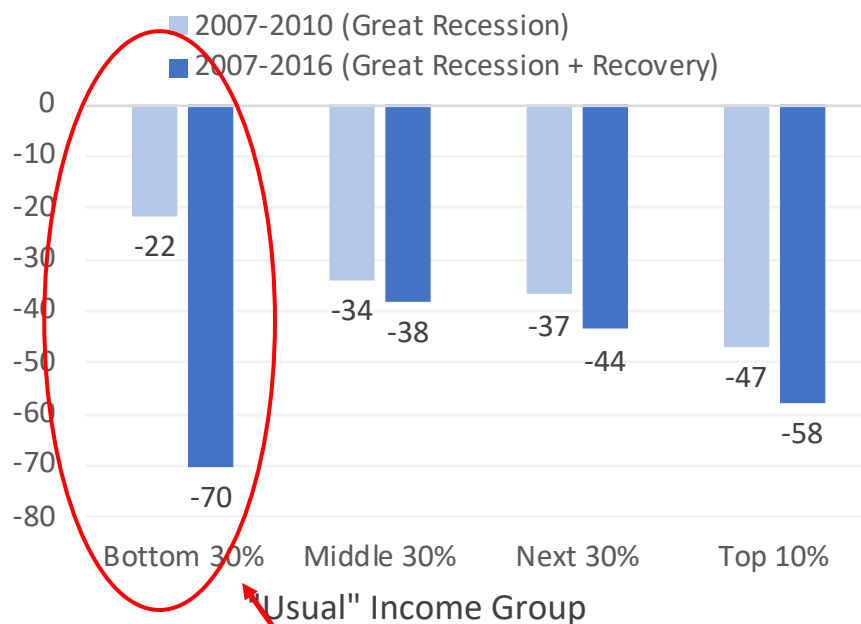
Understanding this issue would help us understand whether the Millennials are likely to recognize and overcome their disadvantages

Question 2: How different are the patterns for Millennials by income group?

GGF provide analysis along these lines but it would be good to see more

For example, redoing the [Dettling, Hsu, and Llanes \(2019\)](#) analysis of the “wealthless recovery” for younger households alone, it’s apparent that low income Millennial households were particularly scarred by the Great Recession

% Change in Real Mean Wealth Since Onset of Recession for Households with Heads 25-34



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!

Question 2: How different are the patterns for Millennials by income group?

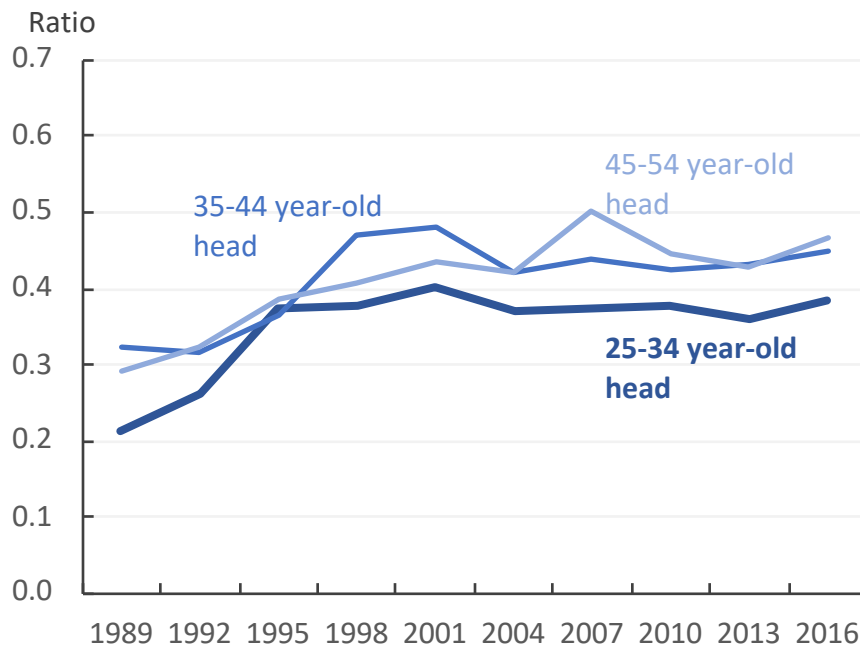
It will be interesting to see the degree to which differential scarring from the Great Recession has persisted when the 2019 *Survey of Consumer Finances* is released

The rise in income equality in recent decades has led some to conclude that the fix to the finances of the Social Security system will need to be progressive—differential scarring might reinforce that case

Question 3: Why the leveling off of defined-contribution retirement account participation?

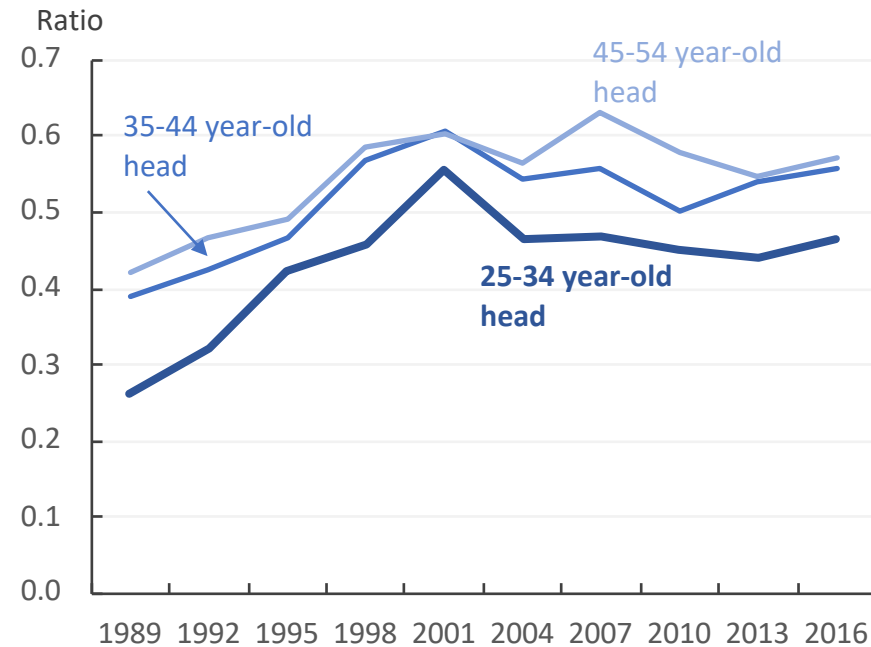
Although 401(k) participation increases with age, it has leveled off for any given age (same for equity market participation)

Share of Households with 401(k)-type Assets



Source. Survey of Consumer Finances; author's calculations

Share of Households with Equities



Source. Survey of Consumer Finances; author's calculations

Question 3: Why the leveling off of defined-contribution retirement account participation?

Concerning trend for a number of reasons:

Making saving easy and automatic an effective way of 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

Stock market participation going to become more important if robots do actually take the jobs—because who owns the robots will be key

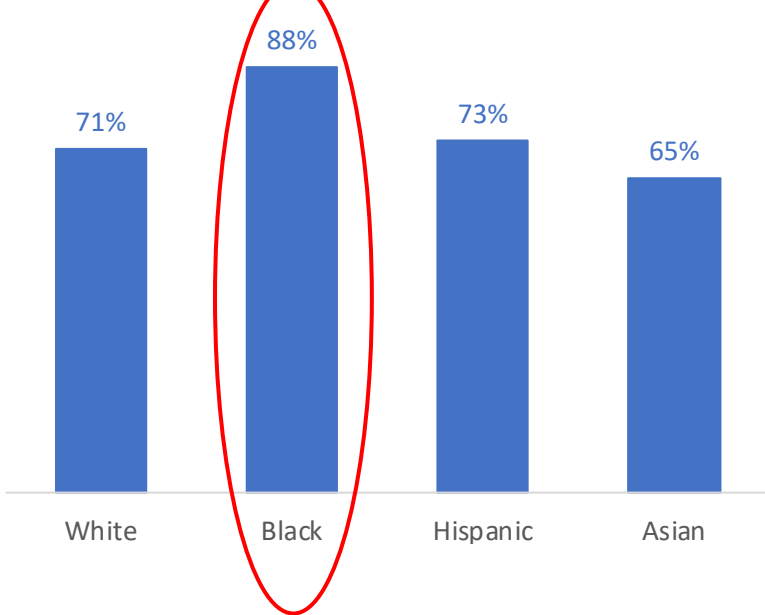
Surprising trend? Maybe in light of regulatory changes and our better understanding of the importance of these plans, but maybe not given the rise of alternative work arrangements

In any event, **understanding why it has occurred essential to understanding right policy response** (“auto-IRA” mandate, subsidies for firms to create plans, better benefits for gig economy workers)

Question 4: What mechanisms are fueling intergenerational transmission of racial wealth gaps?

For example, is the GGF finding of a growing *conditional* black-white gap explained by minorities graduating with more loans? (Could be addressed with more Pell grants)

2008 Grads with Student Debt in 2012



Average Debt for 2008 Grads (with Debt) in 2012

White	\$28,006
Black	\$52,726
Hispanic	\$29,949
Asian	\$26,253

Data from [Scott-Clayton and Li \(2016\)](#)

Question 4: What mechanisms are fueling intergenerational transmission of racial wealth gaps?

Of course, the literature around racial wealth gaps has long been hindered by data limitations

Only about 750 observations for Black/African American households in the 2016 *Survey of Consumer Finances*—not a lot to try to tease out the complicated issues around racial wealth gaps

One idea to improve our understanding would be to add a minority oversample to the *Survey of Consumer Finances*

The SCF already has a high-income oversample—needed to understand aggregate wealth dynamics since wealth is so concentrated

A minority oversample would probably be less complicated along some lines (smaller balance sheets, fewer issues around compliance and privacy?) but would, of course, require more resources