
The Future of Retirement Savings

James Poterba

MIT, NBER, and TIAA-CREF

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Retirement Saving in the Distant and Recent Past (Percent of Assets)

	1985	2007
Private DB	34.0%	15.5%
Private DC Excluding 401(k)	11.4	3.1
401(k)	6.0	17.3
Federal Gov't	7.1	6.9
State/Local Gov't	16.8	18.2
Private Insured	14.8	11.3
IRAs & Keoghs	9.8	27.4

The Private Pension Landscape

- 1985: 11 Million DC Plan Participants, 26 Million in DB Plans
- 1995: 42 Million DC Plan Participants (28 Million in 401(k)s), 23 Million in DB Plans
- 2005: 55 Million DC Plan Participants (47 Million in 401(k)s), 21 Million in DB Plans

The Future – Extrapolating Pre-2007

- Holden & VanDerhei: By 2035, Median 401(k) Replacement Rate of 55%; Compare Social Security 27%
- Poterba/Venti/Wise Projections of 401(k) Balances at Age 65 (\$2000) Assuming Historical Equity Returns – 300 Basis Points and 70 Basis Points Administrative Cost:
 - 2000: \$27,500
 - 2010: \$56,500
 - 2020: \$95,500
 - 2030: \$133,900

Impact of the Recent Financial Crisis

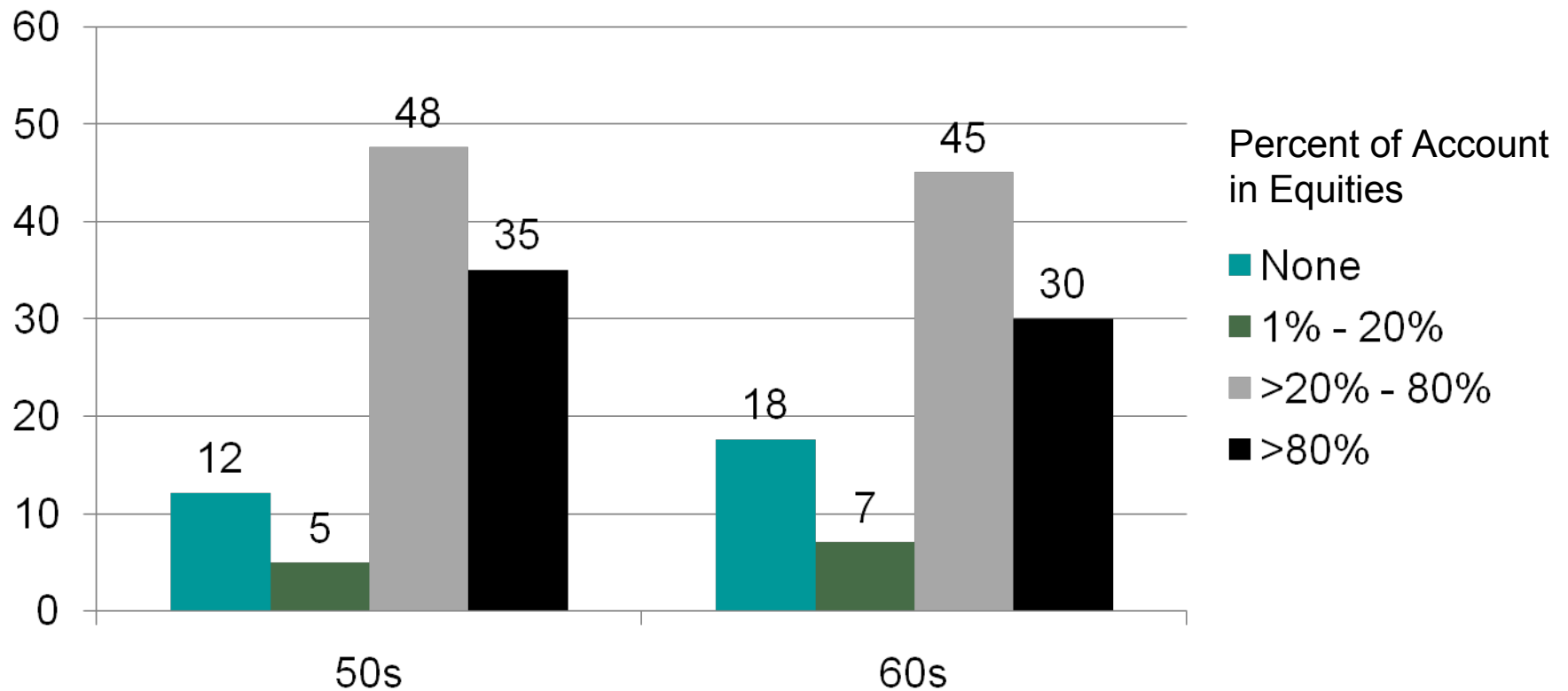
- 401(k) Plan Assets: Down \$675B in 2008 (22% Decline)
- BUT Most Near-Retirees Have Not Been in 401(k)s for their Entire Careers
- Large Differences Across Households
- Future 401(k) Balances at Retirement Will Be Substantially Larger (assuming current contribution patterns and historical returns)

Average Equity Exposure in 401(k) Plans, by Participant Age (from SCF)

	21-34	35-44	45-54	55-64	65+
1992	45%	46%	49%	47%	37%
2001	72	79	76	73	59
2007	55	64	56	58	48

Wide Range of Concentration in Equities in 401(k) Accounts

(Percent of 401(k) participants by age, 2007)



Popular Attention to Retirement Saving



Early Lessons from the Financial Crisis

- Heightened Focus on Asset Allocation
- Neither DB nor DC Plans are “Sure Things” for Retirement
- Retirement Plans are Part of the Broader Household Balance Sheet – Including Social Security, Home Equity

Four Key Questions for Our Panel

- Can Employee-Directed Saving Programs Reach a Large Enough Share of the Working Population?
- How Well Do Participants Understand and Manage their Plans and their Investments?
- Is There a Changing Role for Advice and Education?
- How Can a Lifetime of Savings Translate into Retirement Income?