Retirement Security in the 21st Century:

Considerations and Risks in Building the Infrastructure

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www.retirementsecurityinstitute.com

Introductory remarks

“ We owe it to those who will retire over the next couple of decades to promise only what the government can deliver. The present policy path makes current promises, at least in real terms, highly conjectural.”

– *Former Federal Reserve Bank Chairman Alan Greenspan before the Joint Economic Committee of the U.S. Congress, November 3, 2005.*

Retirement Security

- Retirement security is the acquiring of knowledge about the factors which allow for a worry-free retirement and the implementation of actions necessary to develop such an informed plan.
- The main insecurities in retirement are declining health, insufficient assets and income to live comfortably, and the longevity prospects of outliving one’s resources.
- Changes in assets, income, marital status, health, and living arrangements impact security over the course of retirement.

Sources of financial advice

- Fidelity study shows top sources of advice are:
  - financial professionals (30%),
  - friends and family (26%),
  - online planning tools and advice (22%),
  - and educational materials from employers (20%).

Health care

- Health care costs are a big problem for retirees, companies, and the government.
- Costs continue to rise well beyond average inflation rates, thus posing a greater problem to retirees who tend to consume more health care services.
- A few elements of competition have been introduced through Medicare Advantage plans (Part C), however, these plans have not realized the cost savings expected, and may be cut by Congress.
- Advantage plans are targeted for cutbacks in the new Obama administration.

Reasonable returns

- Unprecendented sums of global capital have driven down returns (yield) over the last several years, and money managers were placing bets on riskier assets than in the past.
- Chairman Bernanke in a August 31 speech about subprime and credit market woes said, “More generally, investors may have become less willing to assume risk. Some increase in the premiums that investors require to take risk is probably a healthy development on the whole, as these premiums have been exceptionally low for some time.”