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LEADERSHIP FORUM ON
RETIREMENT SAVINGS

8 Priorities (and 4 Big Questions) for Making America's Retirement Savings System Work for Everybody

Insights from the 2024 Aspen Leadership Forum on Retirement Savings

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RETIREMENT SAVINGS

About the Forum

This annual Forum gathers leaders from industry, government, consumer advocacy, academia, and beyond under Chatham House Rule, which, by allowing participants to share what was said but not who said it, creates a trusting space for the frank dialogue necessary to grapple with the issues that have prevented the building of an inclusive savings system that achieves retirement security for all. The ultimate goal of the Forum is to accelerate convergence on critical dimensions of policy and marketplace innovation that will enable all workers in America to meaningfully participate in such a system. Given the scope of the issues and their profound impacts on American households' financial security, there is an urgent need to bring together a diverse group of powerful voices to chart the way forward, and the Aspen Leadership Forum on Retirement Savings serves as the premier venue for this critical dialogue.

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When the Aspen Institute Financial Security Program convened the inaugural Aspen Leadership Forum on Retirement Savings in 2017, the retirement landscape looked far different than it does today. That was made evident when yet another diverse group gathered in Irvington, Virginia, in May 2024. In that eighth installment of what was conceived to be a decade-long dialogue about the barriers to an inclusive retirement savings system, the participants noted the very real progress the annual meeting and its growing community have helped to usher in:

- Numerous states—with more on the horizon—now operate auto-IRA plans, which allow workers at companies with no retirement plans to save via payroll deductions. Thanks to automatic enrollment, hundreds of thousands of new savers are pouring money into these accounts, spurring further growth of private plans in the process.[1]
- Workplace emergency savings accounts have taken a promising step forward since the passage of federal rules that allow employers to automatically enroll employees in pension-linked versions of these accounts.
- Congress has passed two major retirement bills since 2019 aimed at enhancing Americans' long-term financial security—and others are percolating.
- New data-gathering efforts are producing insights into the benefits and shortcomings of employer-based retirement savings plans for employees in different demographic groups, in so doing revealing the ways that these plans do not work for everyone.
- Business leaders are increasingly recognizing—and calling attention to—the weaknesses of the current system.

And yet.

Today, tens of millions of Americans continue to lack access to a retirement savings plan through their jobs. Others who do have access to such plans aren't saving nearly enough

to enjoy real security in retirement. And racial gaps in access, overall wealth, and retirement savings persist.

The challenge, then, to the 60-plus leaders from industry, government, academia, consumer advocacy, and beyond at the 2024 Forum, was to think even bigger. So tasked, and with the 50th anniversary of ERISA, the landmark legislation that governs private retirement plans, as a backdrop, participants assessed both the progress and ongoing gaps and sought to identify the tools, policies, financial products, and structures that might further expand retirement security and wealth building for all Americans.

> **OVERHEARD**
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> **Having a sense of what is possible and hearing what has been done has transformed the issue of coverage.**

Homing in on three elements of a financial inclusion framework—access to, usage of, and outcomes from high-quality financial tools—those in attendance offered myriad potential solutions, including some wholly fresh ideas. But their discussions also revealed many crucial issues that remain to be addressed. Among them:

- How can the system balance households' periodic need for immediate cash with the necessity of leaving savings untouched and invested in capital markets for the long term?
- Is the answer more types of accounts or a more streamlined system?
- Once workers retire, can income security leave room for flexibility?
- Must we separate retirement security from retirement savings?
- And, most fundamentally, should the existing system be retrofitted or should a new system be built from scratch?

In the end, three days of frank and robust dialogue highlighted specific areas of focus, crystallizing actionable next steps while raising still more questions. Together, they represent opportunities and challenges for the retirement community and the nation as a whole.

1 The time has come for a national approach to establish universal access to workplace retirement plans.

A critical pillar of retirement security is access to a retirement plan through work—ideally, one in which an employer automatically withdraws contributions through payroll deductions. Notable steps forward in this area have been made since the Forum began. Eight state-facilitated auto-IRA programs are now up and running, and three more were set to launch in 2024.

Requiring most employers without retirement plans to automatically enroll workers in a state program has produced results: More than 800,000 workers in the eight active states have already amassed $1.5 billion in Roth IRAs.[2] Early evidence shows that state programs may also be spurring local employers to open their own retirement plans.[3] What's more, under the SECURE 2.0 Act, passed in 2022, employers instituting new 401(k)s and 403(b)s will be required to automatically enroll workers, starting in 2025.

That said, Forum participants noted that this progress is not only incremental, but may be hitting a wall. Nearly 57 million workers continue to lack plan access, and the coverage gap is worse for lower-wage workers and employees at small businesses.[4] Though legislators in 48 states have at least discussed some form of retirement savings program, political support is falling short in many cases.

> **OVERHEARD**
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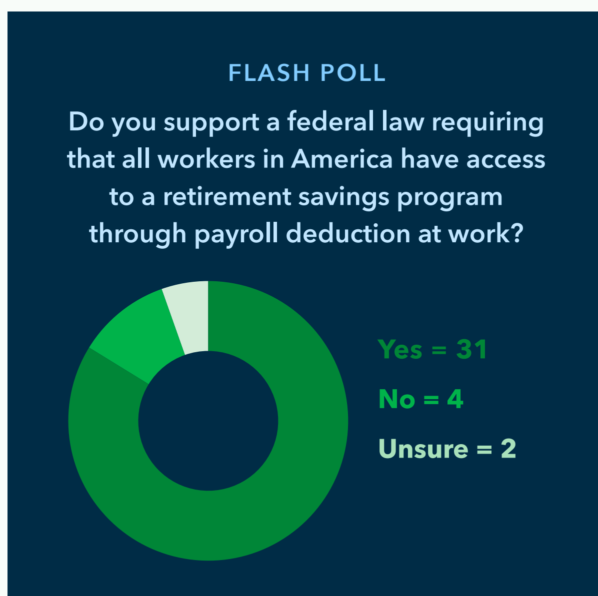
> **We're almost topping out on states that are willing to put this mandate on businesses, and that creates another divide in this country.**

This state of affairs raises two related questions:

1. **Could a system of incentives for businesses—rather than mandates—bring more states into the fold?**
2. **Is it time for a national retirement savings mandate?**



In the end, a federal initiative may be what's needed to provide significantly wider access. This has been a widely held view for some time at Aspen Leadership Financial Security Program forums, and a poll of this year's participants across sectors overwhelmingly supported it again. Moreover, participants suggested that support may actually be growing, across the political spectrum.

In addition to access, participants noted a deeper problem with retirement plan usage. Although two-thirds of private sector workers in the U.S. have access to a defined contribution plan, fewer than half participate in one.[5] One problem may be

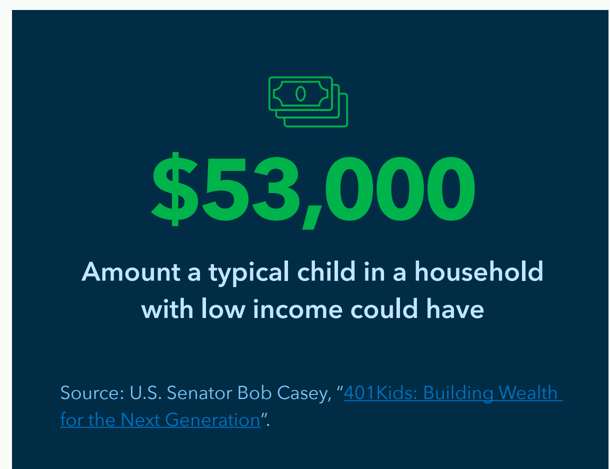
inertia, which automatic plan enrollment is designed to overcome. Vanguard notes that though the portion of retirement plans that automatically enroll workers has risen from 10% in 2006 to 59% in 2023, it means four out of 10 plans are still leaving the choice to save up to employees.[6]

What's more, not every worker can find money to save. State auto-IRA plans provide evidence of this, as nearly one-third of covered workers opt out of contributing.[7] Even if access continues to improve, retirement security will hinge on helping workers find funds to save.

2 What if saving for retirement started at birth?

The best way for people to fully harness the power of compounding for saving is to start on the day they are born. That's the idea behind early wealth-building accounts seeded with government funding, variations of which are already being tested on the state level. Pennsylvania's Keystone Scholars, for example, grants $100 to every child born or adopted in the state for future college costs. In Maine, children under the age of 1 receive a $500 contribution to an account family members can supplement.

To expand this concept nationwide, **a Senate proposal called 401Kids would automatically create state-run accounts for all newborns**. The plans, built within the states' 529 college savings plan platforms, would be funded with a combination of federal monies (for low- and moderate-income households), family contributions, and maybe state grants. The balance could then be invested in a diversified portfolio, enabling young people to take advantage of market-rate returns. At age 18, the account holder could withdraw the money for college, a home, or starting a business—or leave it for retirement.



Source: U.S. Senator Bob Casey, "401Kids: Building Wealth for the Next Generation".

Although Forum participants embraced the idea of starting to save at birth—it was supported by nearly two-thirds of respondents in an informal poll—some raised concerns about the creation of yet another low-balance account (see No. 3, page 7). Americans already grapple with an alphabet soup of saving options, targeted not only for retirement but also education, emergency savings, and healthcare costs. We know with absolute certainty that in all realms of life, but especially in the financial arena, too many choices lead to decision paralysis.

What could help is a streamlined approach, with a single or small number of nimble and flexible savings plans that follow workers from birth, through college and jobs (and breaks), and into

> **OVERHEARD**
>
> **Let's stop coming up with new plans. The next idea is: How can we make these plans work together?**

retirement. This could be achieved by **making the current structures more flexible**. For example, new rules allowing 529 account holders to roll unused funds into a Roth IRA were cited as positive steps toward account coordination. As the 401Kids account lives within the existing state 529 infrastructure, it too could be a vehicle for account simplification.

In 2003, the Bush White House proposed consolidating all existing savings plan structures into three accounts: lifetime savings, individual retirement, and employer savings.[8] Participants wondered whether it is time to revisit that proposal.

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3 We need to tackle "The $1,000 Problem."

With the greater access afforded by state auto-IRAs and expanded auto enrollment in private retirement plans has come what the Forum dubbed "The $1,000 Problem"—the surfeit of low-balance retirement accounts that are often less economical to administer and more prone to getting lost.

State plans typically enroll first-time savers with modest incomes, so average balances are low, especially at first. In most states the total is around $1,000. In OregonSaves, which in 2017 was the first state plan to open, the average balance is still just over $2,000.

> **OVERHEARD**
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> **What if there's political support for a federal approach for universal access to automatic enrollment into workplace retirement savings, but we don't have the accounts to get it done?**

To be sure, this low-balance conundrum is not limited to retirement plans. A grandparent that sets up a small 529 college savings plan may never add another dollar. A worker who builds a modest balance in a health savings account may then fail to touch it for years. A newbie investor may keep a low four-figure trading account. So solving "The $1,000 Problem" in the retirement arena could potentially have wider applications throughout the world of financial services.

One solution: Forum participants noted that a new multi-state consortium of state-facilitated auto-IRA programs, led by Colorado, which may one day serve as an example of how to minimize delivery costs by reaching scale faster. In general attendees were optimistic, about costs and fees dropping over time and plans becoming self-sustaining.

OVERHEARD

The bottom line is the faster that we can grow these accounts, the easier it is going to be to deal with them.

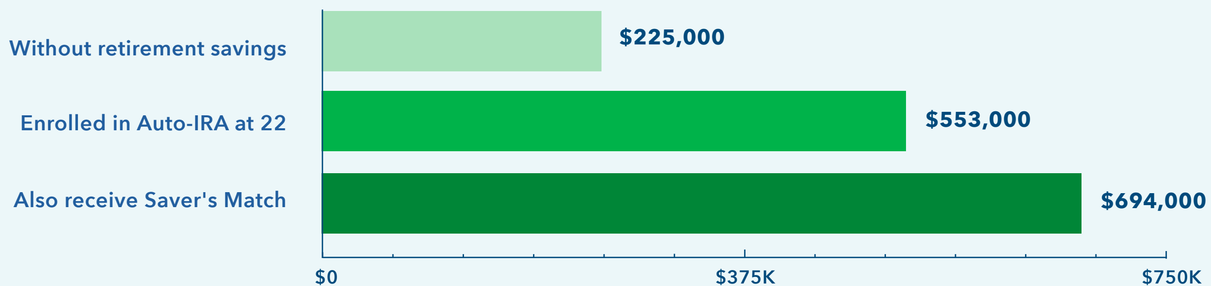
Some pointed to technology as a means to lowering costs, but private sector representatives noted that even the best tech can't reduce costs to zero. As one said, "servicing accounts is a killer"; no matter how lean the operation, expenses include adhering to know-your-customer rules, custody and trading costs, and the piping necessary to link to external accounts. A single customer service call can cost $5, one participant noted, which—with a fee structure of 25 basis points—represents four years of income on a $1,000 account. (Increased use of better chatbots will help.)

Instead, the best way to bring down the costs of small-balance retirement accounts may simply be to add more money to them. Consolidating multiple accounts can help achieve that, and advancements in auto portability promise to smooth out that often-difficult process. Wider adoption of leverage pooled account structures could help as well.

Another way? **Let employers make contributions to workers' IRAs**, something not currently permitted. The new Saver's Match (see No. 4, page 9), a federal match on retirement savings for low-income Americans that goes into effect in 2027, has enormous potential to increase retirement account balances for low-income workers. Currently, though, Saver's Match funds can not be deposited into a Roth IRA, the vehicle of choice for state auto-IRA plans. The challenge will be implementation.

The potential power of pro-growth policies for lower-income workers

Projections of household wealth at age 68 for households earning under $71,000 today



Source: David John and Jim Webb, "The Saver's Match Will Help Moderate Income Households Build Wealth," AARP Public Policy Institute (forthcoming).

4 The Saver's Match has tremendous potential—if we do it right.

As part of the SECURE 2.0 Act, Congress created the Saver's Match, a financial incentive that could help tens of millions of Americans beginning in 2027.

For eligible savers with incomes below certain thresholds, the federal government will match 50% of contributions to a qualified retirement plan, up to a maximum of $1,000 a year. (It replaces the underutilized Saver's Credit.) Savers will claim the match by filing a tax return, spurring the Treasury Department to deposit the funds directly into the retirement account. Single filers with a modified adjusted gross income (MAGI) below $35,500, joint filers with a MAGI below $71,000, and head-of-household filers with a MAGI below $53,250 will qualify for at least a partial match. These thresholds will be adjusted for inflation starting in 2028.

“ **OVERHEARD**

How exciting is this. We're on the ground floor of something that could change 22 million lives. If we get it right, it will.

69 million

Estimated number of Americans who could benefit from the Saver's Match

Source: Employee Benefits Research Institute, March 2024.

The Employee Benefits Research Institute, in an analysis of 2018 federal tax data, found that 69 million workers earned wage income below these thresholds. Nearly 22 million of them contributed to a retirement plan, meaning they would have collected the match.[9]

The Saver's Match could be especially valuable in addressing the racial wealth gap. For example, the Collaborative for Equitable Retirement Savings (CFERS)—a partnership of Morningstar Retirement, the Aspen Institute Financial Security Program, and the Defined Contribution Institutional Investment Association—projects that a Black woman in their database of 401(k) plan participants could see a 9% increase in her account-balance-to-salary ratio at age 65 and a nearly 22% increase if the match led to increased contributions (to maximize the match). For Hispanic women, the projected gains are 8.3% from the match alone and 18.3% with increased savings.[10]

But with less than three years left before matchable contributions must be made, there is considerable work left to do to implement the program. For starters, the infrastructure needed to link tax filings to deposited matches doesn't exist.

Other challenges:

- The majority of people who are eligible for the Saver's Match do not have access to a workplace retirement savings account. How can retail financial services providers help meet their needs?

- Roth contributions qualify for matching, but the match can't be made to a Roth IRA—the account used by most state auto-IRA plans. Will traditional IRAs have to be paired with the Roth IRAs in state plans to accept the Saver's Match?
- What happens to the match if the saver changes jobs and retirement providers after contributing and filing a return?
- How would the match interact with income-based state social benefits? One participant noted that this could be another complicated tax issue for an already over-audited group.
- Few eligible savers currently put aside enough to earn the full match. Defaulting workers into the maximum $2,000-a-year savings could help, but this may be financially out of reach for many eligible savers. And it would require Congress to create a safe harbor for the default. Given these challenges, is a default the right solution?

The biggest challenge of all, though, may be how to communicate the benefits, eligibility rules, and logistics of the match, both to low-income workers and their employers. **The information must be easy to understand and digest**, but it is the responsibility of the Treasury Department to promote the Saver's Match, and it has no budget to do so.

OVERHEARD

We have to become Saver's Match evangelists. We can't just talk about it. We have to make it real.

In the interim, participants suggested working through trusted allies, including pastors or those who help filers collect the earned income tax credit now. And there are, of course, people who have decades of experience with messaging around tax filing.

Even with these challenges, though, Forum participants were enthusiastic about the Saver's Match and committed to helping it realize its potential.

How can we translate insights about retirement plan usage into better plan design and benefits?

It's true that access is the crucial first piece of an inclusive retirement savings system. But an equally powerful building block is usage and how well savers are able to take advantage of retirement plans to build wealth. A novel demographic analysis of plans that draws on a variety of sources sheds light on some potential vulnerabilities of system usage.

The first round of analysis by the Collaborative for Equitable Retirement Savings reveals that automatic plan enrollment can reduce racial disparities in retirement plan participation, but pre-

retirement withdrawals undermine that progress. This analysis of disaggregated data on how retirement plan participants behave—even those in the same plan and earning the same salary—finds racial disparities in contribution rates, loan usage, and pre-retirement withdrawals.

Black men and women in particular are more likely to take plan withdrawals, especially mid-career, and their average withdrawal as a percent of account balance is higher than for white counterparts. Limiting withdrawals could have a significant impact on total retirement savings at age 65 for these workers.[11]

Fresh evidence suggests that pre-retirement withdrawals often result in unexpected tax bills and penalties, erode retirement security, negate at least a portion of the tax benefits of contributing to a plan, and widen the racial wealth gap. The question then is: How do we use this knowledge to improve the system? For starters, participants debated whether it is time to rethink the system's approach to liquidity. This comes as SECURE 2.0 has expanded withdrawal options, including allowing workers to take out $1,000, penalty-free, for an emergency expense.

OVERHEARD

> **Anything we can do to reduce leakage makes a big difference in closing the racial and gender wealth gaps.**

Targeted employee education might help reduce withdrawals. But consumer education has its limits. Another idea is to **treat withdrawals more as plan loans, building in regular repayments**. Research has found, encouragingly, that contribution rates remain stable after loans and hardship withdrawals. Nudging workers to raise contribution rates after a withdrawal could help them make up lost ground.[12]

Common sense holds that being able to withdraw money for emergencies or large expenses like education and home buying will encourage workers to put savings in a retirement fund, and studies back that up. Yet, some Forum participants questioned the assumption that limiting withdrawals will inhibit sign-ups, while others posited a reconsideration of safe harbor provisions for hardship withdrawals.

In the end, participants did recognize that ideas focused on keeping plan balances intact for decades run up against the very real financial need of readily accessible cash to cover the financial shocks that are so pervasive in Americans' economic lives. Which is why …

6 We need to better understand the financial shocks Americans face.

Given how severely pre-retirement plan withdrawals undermine wealth building and widen the racial wealth gap, understanding what is behind those withdrawals is vitally important.

Many low- and moderate-income households experienced improved financial health during the coronavirus pandemic as a result of federal stimulus payments, the expanded child credit, and debt relief. Child poverty was cut in half. But those gains have been eroded by inflation and high housing costs, and a resumption of student loan payments may add another especially difficult shock.

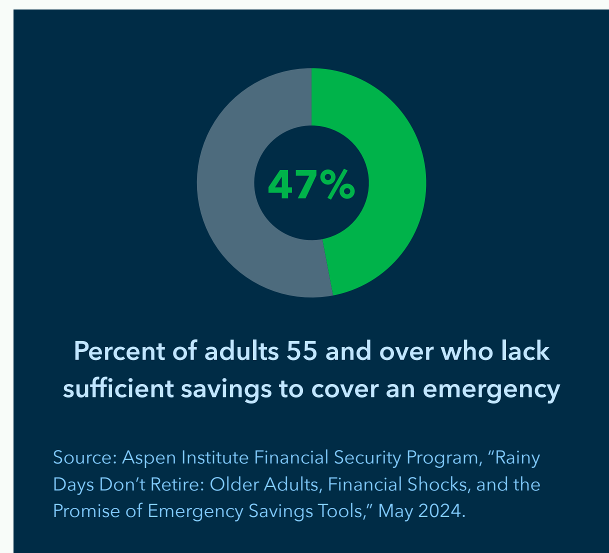
OVERHEARD

People are tapping into their 401(k) accounts, probably not to buy a new car or things like that, but to weather the storm and build resilience against shocks.

Two of the most widely referenced financial shocks are major medical bills and car repairs, but two others are also worth highlighting:

Job loss. This is especially relevant to retirement security given how precarious the workplace can be for older workers; half of workers in their 50s lose a job involuntarily.[13] But though job loss is an enormously impactful liquidity event, it does not qualify the saver for retirement plan hardship withdrawals.

Caregiving. This largely unaddressed shock takes people out of the workforce in the middle of or late in their careers, and is likely to only grow more prevalent as the U.S. population ages.



Percent of adults 55 and over who lack sufficient savings to cover an emergency

Source: Aspen Institute Financial Security Program, "Rainy Days Don't Retire: Older Adults, Financial Shocks, and the Promise of Emergency Savings Tools," May 2024.

The question then is: How can retirement plan design balance access for financial emergencies with the need to limit withdrawals and allow savings to compound over time? Participants had ideas, including some that would expand withdrawal options.

One complicating issue is that **many major shocks don't qualify as a hardship under current IRS rules**. Such withdrawals before age 59 1/2 can be subject to a 10% early withdrawal penalty. This is particularly relevant during a job loss, when plan participants must repay outstanding 401(k) loans or have the balance treated as a withdrawal.

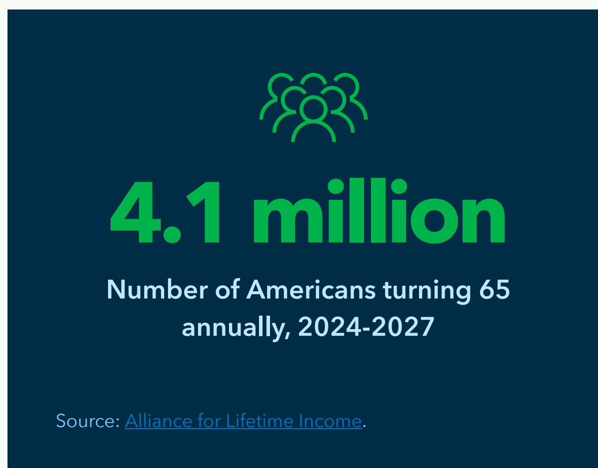
For this reason and others, Forum participants positioned job changes as an opportunity to improve retirement plan design. Take someone who leaves a job where they are contributing 8%

to a retirement plan for one in which they are auto enrolled at 3%. Certainly they would benefit if enrollment levels were made to stay constant across jobs.

Finally, the assets in IRAs dwarf defined contribution plan total balances, yet loans from those accounts are not allowed. **Permitting IRA loans would provide one more liquidity option** for Americans experiencing financial shock.

7 Do we know enough about the financial lives of older Americans?

The U.S. Financial Diaries explored how Americans manage their finances by tracking and interviewing 235 low- and moderate-income families over the course of a year. When it was published in 2017, the book about the project changed perceptions of poverty, in part by revealing its episodic nature. At the Forum, participants discussed the benefits of applying the same combination of quantitative and qualitative analysis to the lives of Americans over the age of 50.



Diaries for older Americans could collect information on income, spending, saving, housing, insurance, financial shocks and risks, and experiences of fraud. What spending trade-offs are they making when living on a fixed income? What assets are older Americans drawing on to support themselves and their families? Other areas to explore include physical and mental health, caregiving obligations, the need for long-term care, and cognitive decline.

With a record number of Americans turning 65 each year, such a deep dive could inform policies and products that could help deliver financial security to this group. Next up: refining the project's scope and seeking out potential partners for Aspen FSP.

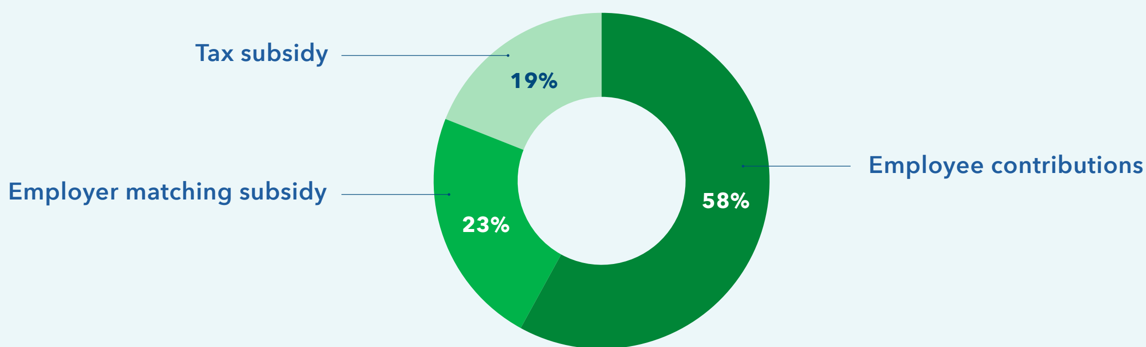
> **OVERHEARD**
>
> **Imagine how the data we could get on the nitty gritty issues that older Americans face could turn the narrative and get the public policy changes that will make a difference.**

8 A more inclusive retirement system means rethinking incentives.

With tax breaks for retirement plan contributions and tax-deductible employer matches, the system is fueled by valuable incentives to save. The funds that the government and companies devote to promoting savings total 1.5% of GDP, and matches and tax benefits comprise about 40% of wealth at retirement, according to an analysis by researchers at the MIT Sloan School of Management.[14]

Too much of a leg up for savers?

Sources of defined contribution plan wealth at retirement



Source: Taha Choukhmane et al, "Who Benefits from Retirement Saving Incentives in the U.S.? Evidence on Racial Gaps in Retirement Wealth Accumulation," MIT Sloan School of Management, November 2023.

Higher-income workers can best afford to save in retirement plans, thereby earning company matches as well as tax breaks. And these incentives, participants noted, may exacerbate inequality. An analysis by Vanguard finds that 44% of employer matching contributions go to the top 20% of earners.[15] Incentives are unequally shared by race as well: For every dollar of tax incentives received by white workers, Hispanic workers get 62 cents' worth and Black workers 31 cents', a gap widened by a greater tendency of Black employees to take early withdrawals.[16]

What's more, participants questioned whether tax breaks and company matches are the most efficient way to encourage savings in the first place. A quarter of plan participants don't save enough to earn the full match, Vanguard has found, and 59% of employer contributions go to the 41% of employees saving above the match, suggesting those workers would save regardless.[17]

Responding to evidence that tax and savings subsidies contribute to systemic inequities and the mixed findings on whether these incentives encourage savings at all,

OVERHEARD

Given that these incentives don't seem to be incentivizing people effectively, it might be worth rethinking how we allocate the very large budgets we already have in play to encourage wealth building.

participants suggested reexamining how these substantial funds are deployed. For example, setting dollar caps on company matches could make the system more equitable, although executives may well resist such a reform.

The key question that needs answering, then, is: **Can—and should—we change the structure of tax incentives to make the system more progressive**?

9 Do we have the right mix of products and policies to help retirees create lifetime income?

The challenges of retirement planning don't end when the decades of saving wind down. Generating a long-lasting income in retirement poses an entirely different set of problems and concerns, chief among them the need to balance income security with spending flexibility.

Longevity is perhaps the biggest risk retirees face, and some fail to grasp the ramifications of the rise in life expectancies.[18] That said, a recent survey found six of 10 retirees were worried about outliving their savings.[19] Uncertainty over future healthcare costs is another top concern, with 55% of 60- to 70-year-olds surveyed admitting to cutting back on spending as a result.[20]

> **OVERHEARD**
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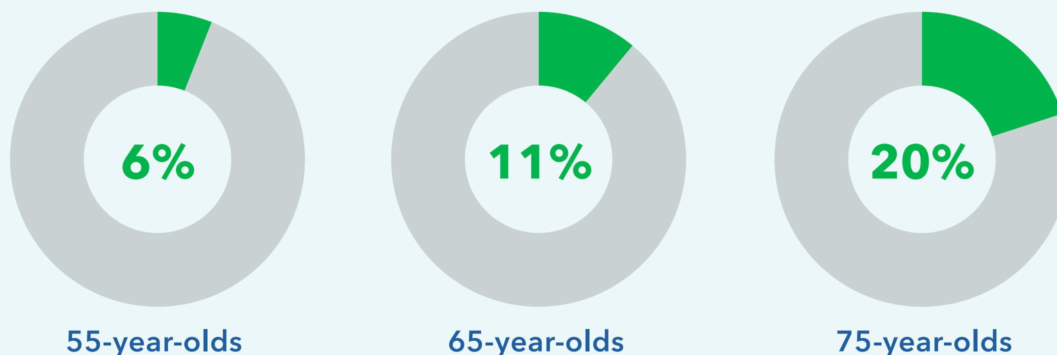
> **You have people who've saved a ton of money and are now afraid to spend it in retirement.**

There's no shortage of financial products to help retirees manage their income—most notably, annuities—but Forum participants brought up the difficulty in convincing Americans to employ those tools.

A missed opportunity?

People who say they plan to use annuities in retirement:



Source: Prudential Financial, "2024 Pulse of the American Retiree Survey," June 2024.

One problem is loss aversion, the unwillingness to cede access to a large lump sum early in retirement. Annuitizing retirement savings over several years could counter this psychological hurdle. Another potential solution: a trial annuity. TIAA, for example, offers one that gives holders two years to change their mind and retain control of their funds.

Similarly, a proposal was put forth to default some portion of retirement savings into guaranteed income—perhaps one-quarter to one-third of retirement plan balances. One step forward would be to change the fiduciary rules to include safe harbor for insurance products in defined contribution plans.

Of course, Social Security is one of the best annuities available, especially if retirees can wait until full retirement age to claim it—or, better still, until age 70, when the maximum benefit becomes available. But such a delay isn't feasible for many retirees, especially those in fields where working longer is untenable. So another piece of the puzzle may be **bridge products or accounts that can produce income for a short time between retirement and optimal Social Security claiming**. One model worth considering is the Maryland Saves state auto-IRA, which offers the option to drain accounts at age 62 to delay claiming Social Security.

10 To optimize the use of current retirement income tools, we need to reimagine the delivery of financial advice.

OVERHEARD

In the accumulation phase, defaults matter. In de-cumulation, you need a default solution but run into a personalization wall.

Ensuring that retirees get the most from available income solutions requires that they receive personalized, one-on-one counsel, which reflects individual needs and cultural differences. (Certain groups, for example, prioritize transferring savings to children or countries of origin.) But guidance of this type is hard to deliver at such a large scale, and even if it could be, retirees might not take advantage of it. After all, some might just not trust financial service professionals, which is understandable given the lack of a best interest standard for annuity sales.

Still, annuities can provide protection against the risks of aging, participants noted, and that's a selling point worth communicating. By creating a steady paycheck that arrives until death, annuities can be valuable security during times of cognitive decline and dementia. In the same vein, funds locked up in annuities are safe from the financial fraud that plagues older investors.

Social Security is another area in which targeted education and advice is sorely needed. Nearly one in three workers claim Social Security retirement benefits at age 62, the earliest possible

age, incurring a benefit reduction of as much as 30% compared with waiting until full retirement age.[21,22] Educating near-retirees on the consequences of claiming early can help them lock in a higher guaranteed income for life.

Framing matters. Participants suggested using language on relevant materials that reinforced the downside of claiming early—"reduced benefit," "minimum benefit," "penalty"—or signaling the need for caution with a yellow light icon. A bipartisan group of senators has proposed that the Social Security Administration implement similar wording changes.[23]

8%

Annual return for every year a retiree delays claiming Social Security past full retirement age

Source: Social Security Administration, "Delayed Retirement Credits".

11 We can't keep ignoring Social Security solutions.

If Congress doesn't act, the latest estimates are that the Old-Age and Survivors Insurance (OASI) Trust Fund, which covers retirement benefits, will be depleted in 2033. After that, continuing Social Security income via payroll taxes will be sufficient to pay just 79% of expected benefits.[24]

Historically, Forum discussions focused primarily on the challenges of the private retirement savings system, because that's where participating leaders could have the most impact. That changed in 2024, when it became clear that it would be necessary to incorporate Social Security in any conversation about an inclusive retirement system. This includes addressing the pending insolvency of the system, the structure of its benefits, and the crucial claiming decisions retirees face.

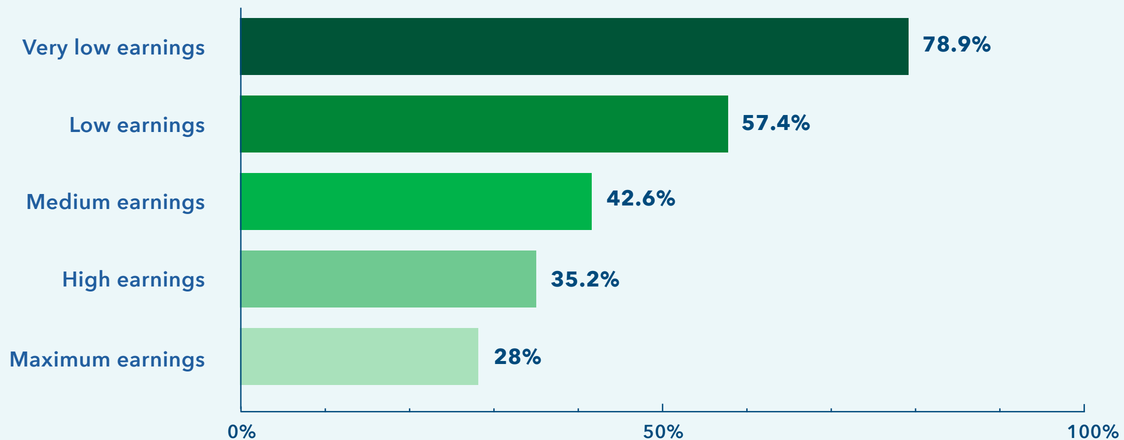
OVERHEARD

> **We can't wait until the last minute. The uncertainty over what you will get makes it hard to plan for the future.**

Social Security is designed to replace about 40% of preretirement income, but for low-wage workers the ratio tops 70%. So this is an especially crucial issue for a group of people already at a disadvantage when it comes to retirement plan access and savings.[25]

Why Social Security matters

Portion of average career earnings replaced by Social Security for a worker retiring at full retirement age in 2024:



Source: Social Security Administration Office of the Chief Actuary, "Replacement Rates for Hypothetical Retired Workers," March 2023.

12 A more inclusive retirement system requires public sector action.

OVERHEARD

We need to be more open to acknowledging private market failure and inviting the public sector in to act as a counterpoint.

As Forum participants delved into the savings products and practices that can help create a more inclusive retirement system, one theme recurred: Private sector solutions are not enough.

Of course, the public sector is already involved in retirement today. Among other things, it operates state auto-IRAs, administers Social Security, and creates tax incentives to encourage savings. ERISA (the Employee Retirement Income Security Act of 1974) has set the rules of the road for private retirement savings plans for half a century. But, as one participant noted, over the past 30 years, we've seen a shift from large government programs to individual asset plans supported by tax incentives as the means of achieving social policy, and that shift has set low- and moderate-income savers back because tax benefits are not as meaningful to them.

There are many problems that the private market solves well—and many others that it doesn't, won't, or can't. We will never solve the retirement savings crisis, one participant argued, with private market-driven solutions alone. If the private sector alone can't achieve the societal goal of an inclusive retirement system, we need to be open to the idea of greater public sector involvement. Some problems cannot be solved in an economical way, but they must be solved nonetheless.

That sentiment must continue to guide the discussions about creating an inclusive retirement system—within the confines of the Forum and beyond.

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