

OPPORTUNITIES FOR FUNDED RESEARCH

Workshop on Retirement, Health Care, and Aging
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Retirement is a very trendy topic

Why? We've finally recognized, about 20 years after it began, a fundamental change in the nature and meaning of the post-work years.

Retirement is now:

- A new stage in the life course
- Typically 10-20 years of post-employment life
- Relatively healthy, relatively wealthy retirees
- Not unique to the U.S. (it's more than the Baby Boom)

The new life stage of retirement

Raises multi-disciplinary, inter-disciplinary issues in the social sciences and related fields:

- Demography: low fertility rates; increased longevity; impending retirement of the Baby Boom
- Economics/Finance: financing retirement – who will pay and how much will be needed
- Psychology/Sociology: the meaning and experience of retirement for the individual; the status and community involvement of the elderly
- Business: changing notions of work; the changing work force; preparing workers for retirement
- Law and Social Policy: tax policy, retirement income policy, health policy, employment law, entitlement programs

One way to approach the study of retirement

- Think of it in three phases:
 - Preparing for retirement: largely employment-related issues
 - Transition to retirement: important events/processes in the immediate pre-retirement years
 - Post-retirement years: typical experiences and changing needs and resources

Phase 1: Preparing for retirement

- The pre-retirement phase: its importance is now well-recognized
- Principal policy concern for this phase: who will pay for retirement and how?
- The traditional sources of retirement income are at risk
 - Stress on Social Security and Medicare
 - Inadequate individual savings
 - Employers abandoning defined benefit plans and retiree healthcare for defined contribution/savings plans for both pension and healthcare

Current policy issues

- Central policy concern: Are Americans saving enough? What is enough?
- Individuals now assume more responsibility (and risk) for their financial well-being in retirement while the government and their employers assume less.
- Current policy goal:
 - How to stimulate more saving?
 - How to secure savings from investment and inflation risk?
 - How to discourage premature spending?
- The great unknown: Can defined contribution plans produce adequate retirement income? And for whom?

Related research questions

- The policy focus on the accumulation of assets for retirement raises a number of important research questions:
 - Investment decision-making: how do individuals/families make investment decisions? Are there gender differences? What behaviors and policies are most effective in stimulating savings?
 - Incentives to save: what tax policies facilitate increased saving? What should the role of the employer be? How to encourage employers to sponsor plans? What about personal saving?
 - Investment education programs: what do individuals need to know about investing? Who should teach them? A big issue in pension policy.
 - Investment products: are they appropriate for retirement savings? Are individuals using them properly?

Important issues; little funding

- **Until recently, funding for research purely on retirement issues was scarce.**
 - Andrew E. Mellon Foundation: The Retirement Project at the Urban Institute
- **The topic was not viewed as important by many foundations.**
 - Pension reform – seen as too narrow/political an issue
 - Tax policy – ditto
 - More interest in healthcare policy – but not necessarily in retirement
 - Some funding for economic research, primarily analysis of large datasets, but little or none for legal/policy research

The Special Case of Asset Development

- A primary policy concern: low-income saving in a defined contribution environment.
- Many foundations had created asset development initiatives to encourage saving among low-income groups.
 - Michael Sherraden's work (*Assets and the Poor: A New American Welfare Policy*, 1991)
 - Saving by low-income individuals seen as key to individual, family and community development; promotion of home ownership; assets for education and small business ownership.
- Leveraging asset building through employment. Improving the employee benefits system for low-income groups.
 - Conversation on Coverage, Pension Rights Center

Other issues; other funders

- **Some signs of change**
 - Pew Charitable Trusts: The Retirement Security Project at the Brookings Institution
- **Employment/ Business Trends**
 - The Sloan Foundation: Flexible Work and Workplaces; Phased Retirement
 - W.E. Upjohn Institute: Part-time Work; Labor Demand
- **Investment Education**
 - TIAA-CREF Institute
 - Investor Protection Trust
- **Legal/Social Policy**
 - American Tax Policy Institute: Subsidies for Saving
 - Smith Richardson Foundation (leaning to the right)
 - The Century Foundation (leaning to the left)

Phase 2: Transition to Retirement

- Major issues for research
 - Dynamics of household financial security; wealth accumulation
 - Health patterns; work and disability issues
 - Expectations regarding consumption, retirement well-being
 - Changes in the workplace: early retirement (voluntary vs. windows); age discrimination; phased retirement
 - Patterns of family decision-making

Current initiatives

- **Health and Retirement Study: NIA-funded dataset**
 - Longitudinal study begun in 1992
 - National sample of pre-retirement individuals (age 50+)
 - Focus on the transition to retirement
 - Every 6 years, a new cohort is added
 - Includes substantial data on wealth, including pension wealth

- **Study targets:**
 - Health care and financial needs in the later years of life
 - Likely effect of potential reforms to Social Security and Medicare
 - Major trends in health and economic circumstances

- **Funders**
 - Department of Labor
 - TIAA-CREF Institute
 - W.E. Upjohn Institute

Phase 3: Post-Retirement Years

- Many open issues
- Management of assets in retirement.
 - Annuitization: how much, when and where
 - Managing spending and withdrawals
 - Investment risk
 - Inflation
 - Interest rate risk
- Post-retirement risks
 - Unexpected healthcare needs
 - Death of a spouse
 - Loss of independent living ability; lack of available needs and caregivers
 - Unforeseen family needs
 - Tax increases; Medicare/Social Security decreases
- Actuarial Foundation/Society of Actuaries

Recommendations

- More work needed on Phase 2.
- Phase 3: it's time to start.
- What are we missing?
 - Qualitative research
 - Small sample research
 - Community-based research
 - Employment-based research
 - More longitudinal research

Suggestions

- Quick guide to the literature: Social Science Research Network at www.ssrn.com and *Employee Benefits, Pension Law and Compensation Journal* at planetnow.com/journal.
- Start with a small proposal (\$25,000 - \$75,000).
- Topic should be pragmatic and policy-related. Some form of data analysis is usually preferred.
- Be creative about fitting your research ideas into foundation guidelines.
- Volunteer for related committee/interest group work in your discipline.
- Inter-disciplinary opportunities are available. The Society of Actuaries and other professional societies have committees on retirement issues.

Additional Funder

- AARP Public Policy Institute
- Often commissions policy research on
 - health,
 - economic security and work,
 - independent living and long-term care, and
 - consumer issues at both the federal and state levels
 - <http://research.aarp.org/ppi/>