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*Advancing Economic Mobility and Innovation*

# Achieving Lifetime Financial Security

**Announcer** 00:01

Thank you for joining us. Please welcome the panel to the stage.

**Cheryl Evans** 00:26

Well, thank you. And is this on? Yeah, we're good. So I'm Cheryl Evans, and I lead our Lifetime Financial Security Program. So, the first portion is going to be just me chatting a bit about our work in the debt management space and things that we're thinking about doing going forward. So, I wanted to highlight this topic. We're beginning to consider debt as a key component of financial security. And two and a half years ago, we released a report, *Shifting the Retirement Paradigm: Moving toward Lifetime Financial Security*. And in that report, we highlighted a myriad of factors that impact people being financially secure, including debt. But we haven't done anything really in the debt space, so we figured now is the time to expand what we're doing. Our program is fairly broad in that it covers many different topics, including financial security, early wealth building, the financial security of women, and a variety of other things. So, we just released a short piece yesterday on debt management. It's called *Rewire—Rewiring, it's hard to say—for Wealth: Making the Pivot from Debt Dependency to Saving and Investing*. So, as we noted in the piece, you cannot be financially secure if you're in substantial debt. That kind of goes without saying, but as you will see and hear from the data, a large part of our population in the US is in debt, in significant debt. So, we said in our piece that high interest debt acts as a drag on long-term prosperity, functioning sort of as a reverse investment, if you will, that erodes personal net worth faster than savings can accumulate. We've been discussing debt management with the National Foundation for Credit Counseling, and I think they have a representative here, hi. Eric is right there. They gather data on debt as a part of their work with local credit counselors, and they've come up with some innovative ideas on debt management. We refer to moving from a debt to savings mindset, but that's not a simple issue. That's not something you people can just do, and your mindset is not going to be enough to really change your situation. So, in thinking about this, we're trying to come up with some innovative solutions and ideas. And debt in the US is at an all time high. We found in—as of 2025—the Fed had total debt listed at \$18.59 trillion, and majority of that is mortgage debt. There's other kinds of debt as well, but consumer debt is the debt that we're focusing on and thinking about in our piece. And I read a troubling headline as I was doing the research that said the new American dream is getting out of debt for peace of mind. And that was a Credit One bank report. So, as we

gather here in the beautiful MCAAD center devoted to highlighting the American dream, these words really clash with our vision at the Milken Institute, right? The headline sort of flips the script on the American dream that we've been highlighting, which for us is freedom to live a life of your choice, and emphasizing building something, right? Not just getting out of debt. So, that was troubling to read and see, and debt for survival is something that we wrote about, and we're thinking about: 69 to 60...67, rather, to 69 percent of Americans are living paycheck to paycheck. So, for many Americans, debt has become a lifeline, which is challenging, and not something we want to see. Wealth accumulation is clearly hampered by this. The median home price is a factor; medical cost, astronomical cost of unpaid medical bills, as well as health care, which, of course, we don't even know where that's going to end up for certain people. The median home price in the US is \$420,000, with a rent price of about \$1,745, that's the median. So NFCC found in their consumer Financial Literacy and Preparedness Survey that 40 percent of Americans are concerned that their money won't last; 33 percent are getting just getting by financially, that's what they reported. And a third also feel that they'll never have the things that they want in life, which is very upsetting. And so, NFCC has also reported a sharp increase in consumer seeking assistance for credit counseling. So what's the answer? We don't have an exact answer, right? This is not a question that we can solve here today, but it's significant. So we encourage people to turn towards finance. I often say that when I'm conducting an interview; I mean it sort of metaphorically, but this means looking carefully at your finances, which can be daunting. I think most people have that instinct to avoid looking at something, a growing debt balance, a dwindling bank account. Unfortunately, many consumers, I think, we're saying it as they're flying blind. According to NFCC and the CFP Board, a significant percentage of Americans do not maintain a budget or track their spending, which can exacerbate feelings of overwhelm and inaction, really. So, we're recommending a few changes, discussing things like encouraging people to build a small savings buffer, but looking at their savings really—their situation, rather—realistically, and what can they do? So the NFCC had a program that we liked, which kind of precipitated us wanting to write this. It's called The Life Beyond Debt program, which we think is great. It's encouraging those who are working with a credit counselor to make an additional payment and sweep that into a long-term savings account, a retirement account, at the same time, so maybe pay an extra \$50 a month. So that's a start. And we're also encouraging employers to try to build bridge that gap. So we encourage them to create some benefits and programs that can help people get on the right track, just like people do with retirement accounts and matching. So one of our ideas—we have two ideas—one is this Wealth Shift Stability Grants that we came up with, but it's—there's some similar things being done that Aaron is going to talk about as well, similar to a 401K match. We encourage employers to offer these small incentives by contributing to a wealth builder style account, emergency account for employees who have engaged in credit counseling, and then perhaps offering a debt coach as part of a routine onboarding process. So we're just beginning to consider this issue. And lastly, I'll say that this is not just a US-centric issue. In varying degrees, obviously, debt around the world is growing, and it's significant. We're working on global financial health issues with the United Nations Secretary General's Special Advocate for Financial Health, the UNSGS—easier to say that than the whole name—led by Queen Máxima of the Netherlands. We're participating in global meetings—as we had last year, we'll do so this year—and working on a paper for them, for Indonesia, for the government, getting them to the next level. So we are thinking in global terms, and we also are hoping to connect more with the Financial Stability Institute of Canada. We have someone here from that institute, Eloise Duncan, and she's reminded us that this is an issue even in developing market—country, I should say, a developed country like Canada—where 24 percent of Canadians report they're struggling with debt as well. So we're seeing a picture of Americans stretched to their limits. We're a little bit discouraged by that, but we're encouraging people to turn towards finance, try to make incremental changes, and encourage employers to help. And also, we can't, you know, dismiss the notion of how much things cost. What are wages? Those are macroeconomic things that we're not going to be able to fix here, but we need to be thinking about

them and engaging in this, in this topic. I think we ended our piece by saying that, and I think it's true, we want to ensure that no one has to choose between today's groceries and tomorrow's retirement future. So, we view that as a first rung. And so let's part—let's get into Part 2 with our amazing panel, The Future of Retirement: Pioneering the Path—I wrote this, it's very hard to say—to Peak Financial Outcomes. And I'd love to have the panelists introduce themselves—Bridget Bearden from EBRI and we'll go down the line and tell us who you are in just a sentence about what you do. And then we'll get into a dialogue.

**Bridget Bearden 08:42**

Thank you. My name is Bridget Bearden. I'm director of member growth and partnerships at the Employee Benefit Research Institute. Some of my research portfolio includes retirement confidence, spending in retirement, voluntary benefits, long-term care, and caregiving. So, it's a pleasure to be here, and thank you for having me.

**Cheryl Evans 09:03**

And Brendan?

**Brendan McCarthy 09:05**

Brendan McCarthy, I lead Retirement Investing for Nuveen. Nuveen is the asset management arm of TIAA. TIAA is the largest provider of retirement income in the US.

**Wade Pfau 09:16**

Hi, I'm Wade Pfau. I'm focused on education in the retirement income space. I'm the author of the Retirement Planning Guidebook, and actually my job title is Professor of Retirement Income, which was a unique job title that's at The American College. So, really focused on educating Americans on their options in retirement.

**Aaron Schumm 09:34**

Hey, everyone. I'm Aaron Schumm, founder, CEO of a company called Vestwell. We are the savings infrastructure, focused on closing the savings gap across the country, powering everything from 401(k)s, 403(b)s, IRAs, 529 college, ABLE disability, emergency savings, student debt employer pay down, child savings, IRA, so we a lot of them now. Didn't start that way, but we have about half a million businesses on the platform, over a couple million people actively saving, about 52 billion in assets.

**Cheryl Evans** 10:05

Great. We're excited to get into this dialogue. I wanted to add and not forget, because I brought it up on our discussions multiple times: Wade has been featured in the MC—is featured in our MCAAD Museum, which is unfortunately closed today—as one of the 100 people making a difference to help Americans live their dreams. So, we're just thrilled about that for him, and he just gave me his book. I'm just holding it up, the Retirement—Retirement Planning Guidebook, which is in its third edition. It's an amazing book, and it helps individuals really plan all aspects of retirement. So, we just looked at the stark reality of the debt wall millions of Americans are facing, the paycheck to paycheck number. I'm not sure why I was so struck by that. I think probably people would have known that. Maybe I didn't fully appreciate it. But if debt management's the first rung, you know, we're getting to the next rung, trying to get people to the savings place, to a secure retirement or secure end of work life. So we're going to shift the focus to the things we talked to—or you're going to hear about, from the panelists, that they touched upon—trends, innovations in retirement planning, decision-making, individual advice that will get people to what we're considering to be peak financial outcomes. So, I thought we would just begin by discussing when workers should begin saving, how they should think about saving for retirement, and sort of start about that, talk about that early saving notion. When we wrote that broad piece, the Shifting the Retirement Paradigm piece, two and a half years ago, we recommended that people begin saving early—and we said age 25, and I think that's obsolete now—in two and a half years, we are now saying, you know, adopt an early savings model starting to save at birth. And we've heard about the Trump Accounts, which we'll touch upon in other—there's state baby bond accounts, et cetera. In fact, I asked a friend who's part of our women's initiative, who teaches finance at UVA to non-finance majors, when I was speaking with our scholars last week, I said, "When should people begin saving?" She said, "You're going to have a child, you should start saving before they're born." So, that's even earlier. But I don't know that that's the case. But as we think about early saving, Aaron, I think we were going to start with you. Sort of tell us about the broad vision of your platform and how it helps people plan for stages of life.

**Aaron Schumm** 12:17

Yeah, I mean, the initial concept was, we've left too many people out of this equation, right? We still—less than half Americans are actively saving today. And we thought about, how do we break down those barriers and create engagement, regardless of where people are? And think about it through the lens of, you know, everything used to operate in silos, right? I grew up in the wealth side of the equation, right, as a product developer building out FinTech wealth platforms. And when I ventured over to start Vestwell, I thought about like, why do these all operate separately, right? Why can't I go to one place to see everything, instead of trying to learn how to swivel chair through my life to figure out where I'm going to save and how? So really, we wanted to create a platform, an all-in-one savings platform, that was built with the flexibility and the engagement to really allow people to step in wherever they are, right? And, you know, child savings, great. I wish I had one of those when I was a kid. But, you know, I said, all these initiatives I think are fantastic, but we want to make sure that people are ready to set up for—whether it be retirement savings, educational needs, health care and disability needs, or emergency needs—and thinking about it through that lens, and really try to connect those pieces all the way through the line.

**Cheryl Evans** 13:30

And Wade, what advice do you routinely give people subscribing to your publications, listening to your podcast? He's written many books, obviously—I just held one up—about early saving. I think it's probably the general advice that they need to do that as soon as possible. But what can you say beyond that, really?

**Wade Pfau** 13:47

Yeah, well, one of the early studies I looked at was, what is the safe savings rate? It kind of played off the retirement income. How much could you safely spend in retirement? But how much do you need to spend—or to save—to be able to then safely spend? And it, of course, depends on the circumstances and assumptions. But if we're looking at a typical case study, if someone had about 30 years—so maybe 35 to 65—16 percent worked pretty well as a safe savings rate. If they waited another 10 years until 45 that number went up to 36 percent. If they started at 25 so that they had a 40 year runway, that number went down to 9 percent. And now I'm actually interested from listening today, how much lower that number would go if you could take it down to birth, maybe, with a very small nest egg at birth; that, with 60 years of compounding, 60 years plus, that could dramatically reduce the savings rate needed for retirement.

**Cheryl Evans** 14:42

Yes, and I think we would be remiss if we didn't mention that what we're calling Trump Accounts that came out—they're going to be implemented in July—\$1,000 contribution by the US Treasury Department for every child. I think it's going to sundown after four years, although maybe that would continue, and the money has to be invested in a US stock market index fund, converted to an IRA at age 18, and contributions are post-tax, and you can withdraw money at 18 for things like, I think, education, first-time home buying. What do people think about that? I don't know, Bridget, do you have any thoughts about the accounts? I think, in our estimation, something is better than nothing, but—

**Bridget Bearden** 15:21

Well, I think many of us agree that the earlier individuals can start saving, the more financially secure they'll be later in life, and it's very important for young individuals to not incur the student debt that many of us have incurred in order to have a positive outlook for retirement security. Our research shows that student loan debt does crowd out retirement savings, and that once individuals are able to pay down their student loan debt, they're able to start contributing more to the retirement savings account. So anything that can be done at a young age to help individuals save towards that education, if that's what their path is going to be, will help them with financial security. And if it doesn't go to education and it ends up going to other pursuits, they'll be able to use it and deploy it as they see fit.

**Cheryl Evans** 16:18

And Wade, you highlighted—we were chatting that, you know, some people simply don't have money to contribute to this account, right? That's a factor, and I think there's going to be some donor contribution. Aaron, you may had some thoughts on that too, right? That's out there, and do you feel like that may be where a lot of people end up?

**Wade Pfau** 16:38

Yeah, I think that idea of the donor contributions becomes really important, because right now, if folks don't have enough to save for their own retirement or to even have an emergency fund, it becomes very difficult to make contributions to those Trump Accounts as well, and so that could lead to a further divide. It's a great benefit to those who have the resources to begin legacy planning and gift planning at a very early age, for grandchildren, children, but it will be a struggle for others to keep up with those contributions and get those tax benefits so that accounts.

**Aaron Schumm** 17:09

Yeah, I agree. I think, I think you're going to need the employers to contribute, right? We do it now with student debt employer pay down, right, where the employers can step in and help facilitate the student debt. As a person who is deeply in debt from college education, you know—I, again, this is one of those things that I wish I had, right, when I came out of school. I think that and the gifting are going to be key, right, from family members, grandparents looking to do that. We run a child savings program in Maine. It's actually, it's a 529, and it's not an IRA, but if you have a child in, born in Maine, you by the time you walk out of the hospital, you have an account for your child that is seeded, and they put \$500 in it, and, you know, the family members can give to it, and however, it's structured, so we do...there's a couple other child savings programs we have, but I, you know, it's version one with the Trump Accounts and the 530As, right? All these things are going to take some iteration, as we learn to see. But I think the grand theme of the initiative is fantastic.

**Bridget Bearden** 18:11

Can I just ask? So, is that being auto-enrolled into a 529 for the state of Maine? Is that how you would characterize it?

**Aaron Schumm** 18:18

Yeah, yes. So, when you're—when a child's born, Social Security number account is opened and seeded with \$500 through a foundation.

**Cheryl Evans** 18:28

Interesting. And Brendan, I don't know if you have thoughts on—so we don't want to leave you out of the dialogue regarding the Trump Accounts. I mean, I—add anything that you think might be relevant.

**Brendan McCarthy** 18:38

I mean, I think, relative to Trump Accounts, anything that gets people started early and just educated on the compounding of investments is—it helps what we're trying to do later on, and that's getting them signed up for the 401(k) Plan; enrolled, contributing. And if they've gotten that early on, they have that sense—because a lot of people walk into the workplace having no idea on how investments work, so.

**Cheryl Evans** 19:04

And we touched upon that paper the last session at lunch, the Economic Mobility Alliance session that Mike Piwowar wrote with Rob Shapiro, which is the findings that people who have money from birth, they're more engaged with saving. They want to engage in a variety of ways, and I see Gerri from FINRA's Investor Education Foundation; their research shows that as well. Bridget, you've done some surveys and talked to employers about what they're saying about facilitating child savings, right? You're just hearing some things back.

**Bridget Bearden** 19:34

So, we get our data a lot of different ways. We have surveys, we have administrative data that we have these data sharing collaborations with, and we also speak with employers on a regular basis. So, with respect to some of the survey data, when we survey employers on what they're offering for their general financial well-being, employer benefits or the benefits that they're offering to their employees, we do find a small but growing amount of employers that are offering 529, or programs, to their employees. We also find that tuition assistance, reimbursement assistance, those are growing benefits as well. But we also hear anecdotally that there's a number of especially larger employers that are—they're very fond of 529s, and they're fond of the way that they are now, you can now kind of apply them to different, different costs. So whether it's the, you know, education for younger—at the younger age, where there's like K-12 for a private education, in addition to the higher education, the potential to use it for daycare, because the rising cost of daycare is such an insurmountable expense for many young families. So, there are many larger employers that do appreciate the breadth that 529 can now cover with respect to their dependent care expenses.

**Cheryl Evans** 21:05

And now we're going to sort of get into, what's the status quo? What are the challenges? Where are Americans right now? So, actually, we're going to go back to Bridget talking about this. You've done surveys and looked into this; are people prepared for retirement on balance? And what do you, what do your surveys say? And what are people saying about it? And what do we think the reality is?

**Bridget Bearden** 21:32

So, EBRI has a few different instruments that can be used to assess the retirement preparedness for Americans, in addition to their retirement confidence. So, I'm going to say two things that might kind of be at odds with each other. When you think about confidence versus preparedness, we have a retirement security projection model that shows that 40 percent of Americans are projected to run short of money in retirement, and there might be some policy proposals that move the needle a little bit, make it a little bit more palatable for different groups, but generally, the 40 percent—four out of ten—are not going to have sufficient income to cover their expenses. At the same time, we find that the level of retirement confidence is fairly high. So, this is kind of a conflict. So, about 70 percent perhaps, are fairly confident in their retirement outlooks. So, if we have 40 percent of Americans that are running short of American—running short of expenses, but we have a majority of Americans that are confident in their prospects, where is this kind of disconnect coming from?

**Cheryl Evans** 22:42

And that's, that's a challenge. I don't know the answer, but I think it's something to think about. Wade, you've talked to people about preparing for expected expenses. I'm not sure what they can do in particular, if you have any thoughts on that, but you talked about freeing up money for that, and to consider that, right, as part of their planning?

**Wade Pfau** 23:01

Yeah, so in the post-retirement phase, the really, the two options to prepare for unexpected type expenses, you either just have additional savings, which, of course, is easier said than done, or you think about insurance and risk management as part of that as well. So having policies in place to manage things like long-term care needs, or just being smart and efficient with your assets and making good decisions with Social Security. Thinking about housing wealth can be incorporated into the retirement income planning process, not having to rely just on an investment portfolio, but really working and using all these levers to as efficiently as possible, meet your spending needs so that you can have these liquid additional reserves to deal with the unexpected.

**Cheryl Evans** 23:48

And Brendan, you recently released your 2026 Retirement Industry Outlook. I don't know if you want to tell us about some of the findings or what it says about participant engagement, or any of those kind of things. I know you have like four or five big categories.

**Brendan McCarthy** 24:04

No...thank you. And I, you know, we harbor off that 40 percent statistic from EBRI. On that, Americans running out of—worried about running out of income in retirement—I'm actually gonna quote a competitor's study that they did last year: 64 percent of Americans actually fear running out of income in retirement more than death. And that was—

**Cheryl Evans** 24:27

Yeah, we were gonna talk about that—

**Brendan McCarthy** 24:27

Yeah! Allianz came out with that in their annual retirement study. In fact, for the—Gen X, it's 70 percent.

**Cheryl Evans** 24:35

Wow, even higher.

**Brendan McCarthy** 24:36

So what we're seeing as a result of that is demand. You know, Americans, this generation that we have, the 401(k) generation as it's often referred to, is the first generation in modern America that is predominantly without any guaranteed income. If we go back to the seventies, if you worked in the private sector, about 70 percent of Americans had access to a DB or a pension plan. That's gone down to 11 percent today. So we're seeing that demand out there. In fact, we're seeing it—UAW, a couple years ago, the workers demanding the pension back, and I think it occurred at Boeing as well. We're seeing that demand, but the other place that we're seeing it is retail annuity sales. They have had four record years in a row of retail annuity sales. In fact, double—they've doubled in the last five years. Two thirds of that is coming right out of 401(k) plans. They're rolling over and they're buying a retail annuity. And that's what's led to this growth in plan of now adopting in-plan annuity options so that your 401(k) plan is no longer just a retirement savings vehicle. It allows you an option, an easy option, of converting a portion of that into an annuity. I like to—the best comparison that's out there is just if you win the lottery, you have two options. You can take the cash or you can take the annuity option, get it paid over 30 years—and that's a term, life annuity. But for your retirement plan, we don't give Americans that option. We are really just giving them the cash

and telling them to figure it out themselves through an RMD or go see a financial advisor. And that's something that's converting, and Washington's been all over that with the annuity safe harbor, requirements in the SECURE Act of 2019. There's additional legislation coming out, but that's something that's shifting now that through your workplace defined contribution plan, you'll be able to have an option, an easy option, to convert a portion of those retirement savings into guaranteed income and alleviate those fears.

**Cheryl Evans 26:38**

Yes, and we—we're going to get into that. We'll jump into it now. We wrote, last year, a paper called Enhancing Retirement: Advancing Lifetime Income for All. The same thing: we were highlighting the products, the effectiveness of the products for a variety of things. One is for solving for that biggest fear. The other biggest fear, of course, is public speaking more than death. I think I'm enduring both of those right now, but I'm a former trial lawyer, so I don't view it quite the same way. But we also advocate for those to, those products to be their own asset class. We made the legal sort of case, if you will, for that to be the case. And we also—in thinking about lifetime income—we felt like it also addresses the other problem, the dual problem, where people are afraid to spend their money, right? So there's research by David Blanchette and I think Wade has been involved and Michael Finke and others; I think they call it "license to spend," where people are more likely to spend from a guaranteed income source, like a pension or lifetime income. So we have the reverse, where people are hanging on to their money and are afraid to spend and not fully living. And, of course, there's horror stories of, you know, you've probably seen recently, I've seen some articles where someone who didn't want to go on the family trip and then, you know, died, you know, two weeks later—not fully living, right? So, so that—I think the lifetime income products address both of those things. I think you would agree, Brendan, and sort of how they help people. It certainly eliminates uncertainty, protects against market risk. I don't know if you want to give us a couple other things that they do, but I think it insists, with the longevity planning, as all those things kind of rolled into that product, certainly, right?

**Brendan McCarthy 28:14**

Yeah, and the—these products themselves, most Americans associate their 401(k) plan, and their target date is indifferent. It's one in the same. You're automatically enrolled in; it's just a big 401(k) plan. It goes into something about 80 percent of Americans are automatically enrolled into something that's managed for them towards their retirement date. Those target dates now are starting to embed annuities. So, that is the latest feature, is that the target date that's inside of your plan embeds an annuity instrument that can—allows you, at retirement, to convert a portion of your 401(k) savings into guaranteed income automatically, and that is something that started in the last six or seven years, has really picked up in the last three years. In fact, Sway Research came out last week with a report saying that over \$140 billion of the \$4.6 billion target date market is now in annuity target date. So, that's over 3 percent has moved, and there's predictions that over 50 percent of that market will move in the next 10 years. So, they've created these products, and when done correctly with them, the participant experience—your experience, in a defined contribution plan, which has historically just been a retirement savings vehicle, a tax efficient retirement savings vehicle—now starts to look again like a pension. So, we can start to show you that

guaranteed income that you're building towards and one of the benefits of it, that was one of the...not a benefit of pension plan, is that they're now portable. So, these limits requirement of the SECURE Act that these solutions can be portable from one employer to another, portable to your IRA rollover. So these solutions now allow the individual, when they're going through their work career, to work towards guaranteed income and knowledge. Add one last piece onto this: one of the biggest challenges going on today in the manufacturing sector, which was in the US, which was one of the last ones to have pensions within—they were one of the last ones to freeze their pensions, do away with it—they're having problems finding skilled workers. And you'll see a lot of that out there. A lot of you are probably familiar with the work on the essential economy. A lot of that, kind of that loss of employees or inability to recruit employees, occurred around the same time that they did away with their pensions. So, the public sector doesn't have problems that where there's pensions, they have not had the same level of problems finding employees. But the corporations, that the manufacturing corporations, are out there having a lot of problems finding skilled workers, and a lot of that is just that insecurity. If I'm going to work for the next 30 years in something that's decently hard, blue-collar labor, often—and I'm going to go into retirement, and I'm not secure about my retirement plan, well, that job at the public sector that's 20 percent less than salary looks a lot better to me right now, because I know 30 years from now, I'm going to be good. So.

**Cheryl Evans** 31:28

That's a good point. And Aaron, when we were chatting about this, you were—you just highlighted, I think, the point that you thought that maybe people don't know what they need. You know, that there's that notion, right?

**Aaron Schumm** 31:40

Yeah, I mean, annuities have become a dirty word, right, in a lot of ways? And there are—there's a reeducation we have to make around how they work. And it's not easy, right? Even a lot of financial advisors don't know how to engage in these, right? And really educate people. So, I think, you know, the concept of, you know, having your retirement become a pension, I think, is fantastic, right? And, that will help give people some level of assurance that they're set up financially for their future. But there's a lot of work that we're going to have to do over the next years to educate people on how these work. They're also—I know legislation gets written to, yes, you can put these in a plan and create portability—it's not that easy to do in practice, right? And, you know, technologically and all the components that happen within these annuities, it's difficult to implement. So, there is some work that we're going to have to do around the edges of how these things function in practice to really have the impact that we want. But again, I think the concept is great. We have the legislation in place to help push it. Now, it's okay. How do we actually put this into practice and get people engaged, where they understand how they're going to use these.

**Bridget Bearden** 33:01

Can I add some kind of a joke? But not really. So we're talking about—who's heard the expression 401(k) mullet?

**Cheryl Evans** 33:12

Only for retirement nerds, I think, which is—maybe I've become one, yeah. [Laughter]

**Bridget Bearden** 33:18

So there is an expression about 401(k) mullet. It's for the younger generation in the workforce to, you know, be taking individual financial responsibility. They're getting the 401(k), but they have the mullet, which is, you know, it's all business in the front, party in the back. And so my analogy here is not that, you know, we're having the 401(k) mullet today, but in 20 years, maybe it will be the annuity low taper fade. So, [laughter] just think about that.

**Cheryl Evans** 33:48

Just the retirement haircut—we used to call talk about haircuts at the SEC, but that's a net capital issue. And, Wade, you write about annuities and think about them. Just give us your general thoughts on the product. And I think we're going to going to then switch over to a totally different topic. But yeah.

**Wade Pfau** 34:05

Yeah, well, I think they definitely have a role to play. That's the—wealth management in the US has focused primarily on accumulating assets and building that portfolio. And retirement income is still a relatively new field within the financial world, and just understanding how those risks change, how longevity risk—which is a good thing, it means living a long time—but how financially, it's expensive to live a long time, and how to manage that risk, as well as the risks of spending, shocks, inflation. And market volatility acts differently when people are retired as well when they're spending from an investment portfolio. If there's a market downturn—rather, when you're saving—you indirectly benefit from downturns, because you get to—your savings, get to buy more shares. It reverses in retirement, you now have to sell more shares to meet a particular spending goal. So when you really look at how retirement risk changes, there is certainly a role for annuities in that mix to provide that reliable lifetime income alongside investments. Not in replacement of, but alongside, the investment portfolio.

**Cheryl Evans** 35:10

And that's sort of how I think we were thinking about here at the Milken Institute as well. I wanted to switch gears and talk about the retirement platforms of the future and how they can drive engagement

and sort of what's going on. Of course, Aaron, you're leading the company. It's on the forefront—cutting edge in this space—and doing a lot of things. So tell us a little about the platform that you have, and you have some interesting thoughts on—or actually, what you're doing is interesting, I should say, with AI engagement in a variety of things. So, we'd love to hear about your platform and some of the innovative things that are going on.

**Aaron Schumm** 35:45

Yeah. I mean, well, at its core, right, it's money in and money out. And you have to get the pipes working, so we do a lot of payroll connectivity, right? So we connected over 200 payroll companies, make sure the data is coming across. And then, you know, on the money out, it has to be fast, right? Take a loan out of your 401(k) for hardship, right? It used to take you a week, two weeks, to get that money out. We focus a lot on like, how do you do it instantaneously? And where someone can call in—or they could, you know, use type in, you know, a chat bot. It does all the KYC, and we do a lot of AI, right? We spent the last—over three years restructuring the data set to make sure we could build AI solutions, you know, faster and on the forefront of where the industry is heading. So now we run almost 60 different chatbots, 20 different languages. You can call in voice, talk to someone, get it solved. We're doing tens of thousands of these a month where people are calling in, they're emailing, they're chatting, and it's just going through AI. And it's actually quite interesting. Actually, the NPS scores have gone up, because people get it solved, real time. It knows who you are, where you are, you know, where you live, how much you get paid, when you get paid, what your tax rate is. All this stuff that you're usually telling someone on the phone or typing this, it already has it when you call in, and if you got disconnected, it'll—it picks right back up. And it's so fascinating to listen to these conversations. We record them all and use the data and try to understand where people are getting stuck. But it's great to see the engagement around it, and then it—now it's going to become fully agentic in that, right? So you can—when you do it—it actually distributes a loan on the spot, versus telling you how to go do it, right? And I think we'll be at a point here in the very near future where you're not actually really going into the platform to kind of click around and do what you do. You're basically going to a chat solution—whatever that is, voice or typing or whatnot—and it's managing everything for you. And then ultimately, where we're going with this is—later this year, I think we'll have it fully deployed—where we could do kind of true, next best dollar right? So I talked to the beginning about standing up all these programs and breaking down the silos across that, but if I have \$100 I'm going to contribute to my paycheck, where should it go? Right? Should it go to my retirement? Should it go to my kids' 529? Should it, you know, should it go to a family member that has a disability ABLE account? And we're going to really be able to start to make conscious decisions on where that should go and recommendations, right? You can't naturally force their hand, but oftentimes we don't know, right? We're like, Hey, I got money. What should I do with this? Right? And even if it's not a lot, right? So I think it's really important just to give people that confidence and assurity. I mean, a lot of people don't save because they're intimidated by it, right? We all know we need to, right? And or they're like, Hey, I don't have the financial means. But oftentimes you stand up a emergency savings. Next thing you know, they feel a little bit more confident about it. They're like, Okay, what next? What should I do? So if you can help guide people through that, and use agentic solutions to do that, it really reshapes how people are going to be able to engage and save.

**Cheryl Evans** 38:54

So, you're actually thinking of it as driving confidence, not just engagement—but both of those things, right? I think.

**Aaron Schumm** 38:59

Yeah, absolutely. I mean, part of—right—to getting people engaged in savings, they have to be educated. They got to feel, you know, confident enough to do it. Or people are just too busy, right? And, they're like, I don't have time for this. You know, my wife tells me all the time; she's like, I married you. You figure it out, right? And, you know, [laughs] she's in the life science world, right? She's focused on making people live longer. And, you know, and I'm focused on making sure people can afford that, so it's quite symbiotic in how it works.

**Cheryl Evans** 39:29

I don't know if I have a comment about that or not, because not everyone's going to be in that situation, right? They're not going to get a spouse that can do one half. But you also said something interesting—we were talking—as well, that—people are more likely to ask maybe an AI chatbot or an agent, if we will, that, than an individual. There's a shame notion, right, that we've—

**Aaron Schumm** 39:48

Right! No one wants to look stupid, right? Everyone's like, Oh god, should I ask this question? Am I an idiot that I don't know this answer, right? But when you're talking to a bot, you're okay. You're going to ask it anything you want, and it does break down those barriers for people.

**Cheryl Evans** 40:03

Yeah, I thought that was an interesting point. In fact, Brendan, I was thinking of the Thasunda Brown Duckett; she joined us at our Global Conference, and there was a panel of retirement CEOs, and she spent a bit of time talking about shame surrounding savings that—you know, she had family members who weren't saving for the future, and I think that's a significant issue. As I mentioned, I just spoke with our scholars. They have been...Mike Milken created this 30 years ago, where we give money in a competitive way to high school students and support them, and that's kind of a community, and it was on securing their financial futures. Of course, I give all these disclosures. I'm not a registered investment advisor. I'm not giving investment advice, but big picture things. But a lot of them came up to me and said those kind of things; like, I don't know anything. I feel like I should know something. Oh, my god, I should have saved years ago. But they weren't—maybe in their 30s—and I know that I didn't save soon enough. But some will even talk about their parents. My mother has no money. She won't talk about it. How do I get it? I didn't

have an exact answer for this, obviously. But you hear that a lot more when you're in certain environments where people are saying, I don't know about this. I was just with some friends, and they brought up retirement savings, which women don't often do. We have a women's initiative, and they were saying, last weekend, Is Social Security going away? I don't even know anything about saving. Can you help me? And so, it's an ongoing issue. So I think, you know, we're clearly moving into the tech space, anyways, with AI, so what you're doing, I think, is impactful, and you're working with a lot of financial firms as well. If you can tell us a little about that, you're engaged with a variety of firms, right?

**Aaron Schumm** 41:36

Yeah. So we work through three channels, right? So you typically—you're not going to see us out kind of knocking on doors. So we, we're the engine behind, like, at JPMorgan, I think we run six or seven programs for them now, right? Through like Chase and advisor-sold, wealth-sold. So, if you go to Chase and you open up a business account—hopefully they'll give you a 401(k). That's actually us, right? Doesn't look or feel like us, but it is us doing it all. Morgan Stanley at Work is largely powered by us. We do a lot of financial institutions, a lot of payroll companies, as I mentioned. Or, you know, you may not know it's us, but like, Toast is a great example, right? So, we run the Toast 401(k). So Toast has thousands—tens of thousands—of food and beverage clients, right? They're often ones not saving right, if you're working in a coffee shop or a restaurant. So when Toast goes in and gives them a payroll solution, they give them a 401(k) to get people trying to save through that mechanism. So, it's quite a powerful way to create engagement around it. And then the third and last channel, we go through our government program. So we run 40-something government programs today, largely in the state side, talking a bit on the federal side, and then some of the local levels as well.

**Cheryl Evans** 42:43

And speaking of friends of mine asking about Social Security, I know Wade you give advice on Social Security, and also on which, I think is interesting, because I've been looking at this, your risk awareness, capacity, and style. Can you tell us a little about that? Because all these things really fit together to help people get to their best place that they can arrive at.

**Wade Pfau** 43:04

Yeah, it might be easier to start with the second one, the idea of retirement income styles. It was some research that I had looked at, and we built an assessment tool around just understanding people's preferences for retirement, how the retirement problem changes. People may have heard of risk tolerance questionnaires, which are common in the pre-retirement phase of—what's your, what should your stock allocation be? How much short-term market volatility can you stomach? It turns out that that sort of understanding doesn't really connect to the concerns people have for retirement. Those concerns are more around the idea of, Am I going to outlive my wealth? The—what we heard from the survey from Allianz. And also, do I have resources to deal with unexpected spending shocks, like long-term care, and so forth? And so, we try to understand what matters, what sort of characteristics are out there? And we

found some—this idea of, are people more comfortable relying on market growth, or do they prefer contractual protections? Do people value optionality for all their assets, flexibility for all their assets, or would they prefer committing to solutions that will solve for their lifetime need? Are they more worried about outliving their money, or are they more worried about missing out and not having the best possible lifestyle early on? How do they think about liquidity for their assets? Do they just want to look at a big brokerage account, and know they have this big balance? Even, really, if it's earmarked for their spending goals. Or, do they really think in terms of matching different assets for different purposes? And that leads to different retirement styles. But the total return style is more comfortable with an investment-based approach to retirement. The income protection style would like to build reliable income floors, and that's where tools like annuities may play more of a role. And so then, when it gets to Social Security, the academic consensus is pretty strong around the idea that in most cases, the high-earning person in a couple should really consider delaying Social Security to age 70 to get the most inflation-adjusted lifetime income out of that benefit for themselves and potentially for a surviving spouse. Not everyone agrees with that approach, and you can see that in retirement income styles. Sometimes in the investment world, you'll hear more along the lines of, You should claim Social Security at 62 to leverage your investment portfolio, because your investments will grow faster than the growth of the Social Security benefits. And so, at the end of the day, there's no right answer, because we don't know what financial markets will do, but when you can tailor the advice to someone based on their retirement income style, it starts to really lay that foundation. So income protection will be comfortable delaying Social Security. Total returns might really push back on that idea, and that applies to a lot of other decisions in retirement as well.

**Cheryl Evans** 45:48

Yeah, I think those are key points that people need to think about, certainly. And, in addition, I think we wanted to highlight some employer benefits. Brendan, you already really highlighted one that we were going to get into, which was that workers are looking at the role of employers and what benefits they're giving them as they select jobs, and how those things work. And it sounds like, as we get more evolved platforms, I think, like the—that of Vestwell—I think people are going to really be looking at, you know, What am I getting? What I like about what Aaron said is, in addition to the obvious advice and other things—and also visualizing your assets—we talked about that, we wrote about it, talked about in interviews—to know how much money you need to envision the life you want to live—life you want to live, first of all; but also, can you see everything together in one place, I think, is what was, what you're doing. But Bridget, I know EBRI has done some research on benefits, because that's what you do. That's part of your title, right? And Barb is here from EBRI as well. But—so—you had some thoughts on voluntary benefits, caregiving benefits, elder care, concierge benefits that I think are interesting and fit in well here.

**Bridget Bearden** 46:57

Well, you just named a number.

**Cheryl Evans** 46:59

Named them all, yeah.

**Bridget Bearden** 47:00

Okay, I'd like to mention one thing about the provision of financial advice, though. About, only about one in three Americans have access to a financial advisor.

**Cheryl Evans** 47:09

Hm, good point.

**Bridget Bearden** 47:10

So, two out of three are—might not have the wherewithal to access the types of resources that Wade is talking about, and that is where the role of the employer becomes more important. So, the employer can provide access to financial advice, financial coaching, in addition to a whole slew of benefits, whether they are voluntary supplemental benefits, or they are accessed through ERGs and kind of through, kind of community programming. So, I'm going to talk about one. One of the issues that we're looking at and is a huge risk to retirement security, is the impact of caregiving and the associated risks with long-term care. There's a couple of different programs that employers can offer. So there's a number of different caregiving programs, like, obviously, flexible leave, paid family leave. They can offer the elder care concierge. You can offer backup care. There's a variety of benefits that employers can offer for caregivers, in addition to group long-term care insurance, and one of the voluntary group benefits that we don't really talk about, but can be positioned for caregiving purposes, is critical illness insurance. So, increasingly, we're looking at some of the supplemental health insurance, whether it's hospital indemnity accident insurance or this, you know, critical illness insurance. Critical illness insurance can be used to help pay for some of the expenses, should you or a loved one experience a critical illness. So that's something that employers can offer. And of course, we are very interested in emergency savings accounts, so that the work that Aaron is doing on providing emergency savings accounts to American workers is very, very much of interest to us, and something that we're tracking on a regular basis. Also student loan debt reduction. We're tracking loans very closely, because the 401(k) is a very easy place to access for liquidity, if you need the—if you need the funds. So one of the things that I would be worried about, kind of with this agentic AI, is kind of where you draw the line between agency and the power of inertia, because inertia can be very helpful to savers if they don't have access to tap those assets, kind of like on demand. So I just wonder about that, because we are seeing a trend of kind of repeat borrowing behaviors among those who take out 401(k) loans, and it's something that we're also concerned about.

**Aaron Schumm** 49:58

Yeah, that's concerning. And I think the industry refers to that as leakage, right?

**Aaron Schumm** 50:01

If I could add to that, yeah. I mean, it's a very valid point, right? And, you know, part of the friction in this whole industry was by design, right? To keep people away from touching it. And say, we're going to make it really painful if you want to come touch these assets. So—but, ultimately, though, if people need it, or they need a contribution or distribution or a loan or hardship, like, we do want to make sure that's available. I mean, I think we can use tools to help educate around that. You know, we started earlier this year, we started giving emergency savings accounts alongside everyone's 401(k). And, you know, statistically, right, if someone has that, you know, a few \$1,000 or \$1,000 of emergency savings, right, there's, you know, 70 percent more likelihood that they're going to contribute to the 401(k), right? Because they're sitting there thinking, Hey, I need this extra \$1,000 right? I can't put it somewhere else that I can't touch it. So I think doing things like that will draw down the behavior of taking a loan out of a 401(k), knowing they have a couple bucks parked to the side for that unforeseen circumstance.

**Cheryl Evans** 51:10

And that's something we think about as well, the notion that we need, in this short debt piece that we released, we're asking people, we actually talked about ways to pay down debt as well. But I didn't get into that, but suggesting that they begin, make sure they start with an emergency savings account and then begin to save, because you really need that. You're going to pull out of your retirement account. Otherwise, right—?

**Bridget Bearden** 51:34

Yeah, there will be loans to pay off credit cards. And, you know, I'm sure there are probably individuals in this audience who have entertained using taking out a 401(k) loan, or know somebody tangentially, to pay off a credit card debt, or to pay down a car—card, a car pay, a car loan. So I think we need to be very careful about how we structure the access to the funds, but at the same time the emergency savings, it's going to have to get past that \$2,500 because once that's depleted, folks are going to go right into the loan, the 401(k) loan.

**Cheryl Evans** 52:09

Yes, and the different options that you're suggesting employers offer are really interesting, and I think can make a huge impact. So, we have to sort of get—more companies are moving in that direction, to some extent, but not, probably not as much as we would like. I was listening to you just talk about the critical care insurance being off, but I keep getting things in the mail constantly about this. I think it means I'm old, because they target—I mean, here's cancer insurance. But then I start thinking, Maybe I need that. But those things are helpful, and I think will be impactful ultimately, I think, at the end of the day. We're getting a little short on time, which is—we're really covered quite a bit. We kind of already touched on

longevity, you know, planning. I think what we all recognize that many people are going to live to be 100 maybe not me. I'm too old for that, but other people, and I think a lot of these products and ways we're approaching this will be impactful for people. One thing that I was going to touch upon, that a core issue that we focus on is people being financially secure at all the stages of their lives. While this is a retirement panel, we want to make sure that, given the name of our program, Lifetime Financial Security, that people remain financially secure. So I was just going to have Aaron make a quick point. You are highlighting that your platform and the way you're thinking is reaching people at certain stages, like touch points. And you think that's key as well, and I think that's aligned with what we're thinking.

**Aaron Schumm** 53:34

Yeah. I mean, you have to make sure you're helping them through all of those moments, right? Whether it's your child's birth, a family member who has special needs, college, health, whatever it is, right? You need it available. And people have to feel confident to be able to draw a line through it all and say, this is where I'm going to save and how. And between the technology that we can build, I think financial advisors play a massive role in this equation, right? Oftentimes, the financial advisors have—you know from, I would say, a broad, generalist advisor has not wanted to engage in retirement savings because it was too complex. There's too much regulation. We're very advisor centric, right? We want advisors to do that. But it's on us to help give tools to advisors so they're not inundated with those things and then help people, right, to that point of, you know, not being confident enough. You know, like, well, like, I only have a couple thousand dollars, what am I going to talk to an advisor about? Right? You know, being able to allow the advisor to engage and still provide that advice, but not necessarily have to spend, you know, a lot of hours and expense in doing so, I think is important, and just helping kind of build that confidence and education.

**Cheryl Evans** 54:50

And I was just going to lastly highlight for those of you who are in the Economic Mobility Alliance session, we're working on those issues. President Trump, in his State of the Union address, mentioned this new kind of plan, that it's going to be put forth. So we're working on that with Alex von Furstenberg and others. And how do we implement that? How do we think about that? So, for those of you are interested in talking with us, we'd be glad to take your input, and right now, there's just an idea, right? There's no framework even out there. But I think the idea is for it to be—I'm calling kind of a sidecar—but another plan offered by the federal government, which would cover workers earning maybe \$50,000 or less, and maybe the government will seed it—we'll have to see how that works. But in closing, I wanted to give each panelist just to, like, now I'm looking, we have four and a half, like, a minute—to highlight whatever point you think is interesting that can help people get to peak financial outcomes. We've covered a lot of things, but any point that you want to highlight that's significant or can help move things forward. I don't know if you want to—Bridg', if you want to start? If you want to go first—

**Brendan McCarthy** 55:59

I can start. Thanks, Bridget. The one thing I just touched on, and our—we have the TIAA Institute, that works with a lot of our academic clients. At TIAA, they came up with a paper; that is, The Future of Retirement Security, and it looks at globally, what's going on. It's 11 different countries, and how—what's going on with their retirement systems. And the theme of that paper is, 'the future is hybrid.' Eleven—ten other countries, plus the US. We looked at the countries. They have all gone from a predominantly DB system to a DC system over the last 30, 40 years and are now sliding back to something in the middle, which is a DC plan that provides the benefit that a DB plan did. And that's where the term, 'the future of retirement is hybrid,' and I'm—again, reach out to me on LinkedIn if you want it. I can—you can find me, Brendan McCarthy at Nuveen. Happy to get that over to you if you have interest in it.

**Cheryl Evans** 56:59

And for those people who aren't retirement experts, DB plan is a pension, Defined Benefit—essentially a pension—and then, a DC is really when you, 401(k) plan, right? Something similar.

**Brendan McCarthy** 57:09

Yeah. Pension, it was defined benefit. So, your output was defined. You were going to get average of your three best years' salary. You know, if you work 30 years. Defined Contribution, you're defining the input. You're defining how much you put into that plan. But unfortunately, there is no guarantee or definement of what comes out of the plan. So now you're going to have DC plans, where you have the input defined, but they also have that option of defining the benefit that you receive as well. And that's where that term, 'the future of retirement is hybrid' comes from.

**Cheryl Evans** 57:39

Yeah. Anyone else? Wade, I don't know, any big picture thoughts for us?

**Wade Pfau** 57:44

Yeah, maybe, just one more thing to keep in mind is housing wealth, and that's one of the biggest assets available to households getting to traditional retirement ages. Housing provides a very important service: a place to live, but it is an asset that otherwise you can't spend it, and you may have this big, illiquid asset, and so increasingly looking to solutions that help create the ability to spend from that housing wealth to support retirement income needs for that household without having to sell the home and move out. I think that's another important area when we look at solutions for people who may not have a lot of savings when they get to retirement.

**Aaron Schumm** 58:25

Yeah, I would just—I'll just add, you know, I think we're at this interesting moment, right, in where all the things that have been built to this point, right? We understand where the cracks are, what needs to be filled. And I think we have engagement right? Even from the last administration to this administration, you know. From SECURE 2.0, the Trump Accounts, the—you know, maybe the reboot of myRAs, or whatever they become. You know, it's fun to sit here and say we can actually now solve these problems. Still a long way to go to actually solve them, but you know, to work on something that's truly bipartisan, that you have engagement where people are trying to create solutions is exciting from my seat, right? And say, Hey, we have the tools and the technology to now do this, so let's go deliver it and start reaching people who otherwise have been left out, right? You're not forced to work at a large corporation so you can get those benefits, right? You can be a solo entrepreneur and achieve, you know, aspects of the same level of benefits. I think that's really empowering for people.

**Cheryl Evans** 59:30

And Bridget? You want to?

**Bridget Bearden** 59:31

There's just so many things that we can't cover in a single session.

**Cheryl Evans** 59:36

Of course.

**Bridget Bearden** 59:37

And I would say that some of the things to look forward to, in terms of the future of retirement planning, we're going to be discussing on March 19th with our friends at the Milken Institute. It's the EBRI-Milken Retirement Symposium. So, for those that are not familiar with this event, it's an all-day event dedicated towards talking about all of the pressing issues that we've talked about today in more depth, and we welcome you to join us for that event. So I'll leave it there, just a teaser.

**Cheryl Evans** 1:00:10

And that event will be live streamed. It's taking place at the US Chamber of Commerce, a slightly smaller venue—not at the Kennedy Center this year, but it is a really diverse retirement planning event covering many different topics, which I think will have some key takeaways. And you can certainly watch online,

and we'll send you the link, but you can also look for it online, the EBRI-Milken Institute Retirement Symposium. Our third year. We're happy to be partnering with EBRI, and I'm also happy to have had this great dialogue here with all four of you today. So, thank you so much for joining us, and we're really thinking about how to help people be more financially secure, of course, and that includes debt and another thing—a number of things, but financial engagement and products and innovation and knowledge, I think, are all solutions that will come together and help people. So, thanks so much.

**Aaron Schumm** 1:01:01

Thank you. [Applause.]

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