THE BROOKINGS INSTITUTION

HELPING AMERICA PLAN FOR RETIREMENT
FEATURING SOCIAL SECURITY ACTING COMMISSIONER CAROLYN W. COLVIN
AND
CONSUMER FINANCIAL PROTECTION BUREAU DIRECTOR RICHARD CORDRAY

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Introduction:

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Keynote Remarks:

MODERATOR: JOSHUA GOTBAUM
Guest Scholar, Economic Studies, The Brookings Institution

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Presenters:

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Panel Discussion:

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P R O C E E D I N G S

MR. GAYER: Good morning and welcome to Brookings. I'm glad to see all of you here today. I am delighted this morning to introduce Carolyn Colvin, acting commissioner of the Social Security Administration, and Rich Cordray, the director of the Consumer Financial Protection Bureau.

Commissioner Colvin has been leading the Social Security Administration since February of 2013. She was previously Deputy Commissioner, confirmed by the Senate in December 2010, and before that held key positions at the organization since 1994. She is also a Trustee of the Social Security Board of Trustees.

Rich Cordray is the inaugural Director of the CFPB and previously led the Bureau's Enforcement Division. Like Commissioner Colvin he has significant experience in state and local government, including serving as Ohio's Attorney General just before joining the Bureau.

Commissioner Colvin and Director Cordray are here to talk to us today about the importance of planning for a retirement, and to announce the results of a recent interagency collaboration. As we all know a secure and comfortable retirement requires us to start preparing early on, but there are obstacles towards planning for retirement. Part of the problem concerns the basic income insecurity and financial fragility facing many Americans. A recent Brookings study found that about one-third of U.S. households spend all of their available resources in every pay period. Another recent study of ours found that one-quarter of U.S. survey respondents reported that they are certain they cannot come up with $2,000 in 30 days. Another part of the problem concerns psychological factors that limit our ability to make long-term decisions in our best interests. There is a good deal of information about savings vehicles and financial calculators out there, but many people don't use the available tools and many under-save as a result in the years leading up to retirement.

We're luck today to have the Commissioner and the Director here to shed some light on this issue and to help us understand what policy makers and the private sector have done and can do to engage in this important topic.

In a moment I'll turn the stage over to our guests. After they give their remarks we'll see special presentations from both the CFPB and the Social Security Administration, and then my colleague, Josh Gotbaum, will moderate a discussion with Commissioner Colvin and Director Cordray. After that we'll hear from a panel of experts, Jonelle Mart of the Washington Post, Olivia Mitchell of the Wharton School at the University of Pennsylvania, and Jean Stezfand of AARP. I think Commissioner is going first, so I welcome both the Commissioner and the Director, but Commissioner Colvin, welcome to Brookings and take it away. Thank you. (Applause)

MS. COLVIN: Thanks. Good morning everyone. I'm so pleased to have the opportunity to speak to you today. It's good to be here with the Director Cordray and so many others that I see who have worked in this area for a very long time. I certainly want to commend the Consumer Financial Protection Bureau and all of you for the work that you do every day to educate, protect, and empower consumers in your communities across the nation so that they can take control of their own economic lives.

Financial security is a preeminent national issue and Social Security's insurance protection is the foundation of retirement security for American workers and families. We must work together to keep Social Security strong and to promote retirement planning and financial literacy to workers of all ages. In championing the concept of Social Security during his message to Congress in 1934 President Franklin Roosevelt said, "These three great objectives, the security of the home, the security of livelihood, and the security of social insurance are a minimum of the promise that we can offer to the American people. They constitute a right which belongs to every individual and every family willing to work." Eight decades later President Roosevelt's words continue to urge us forward. This year we're celebrating the 80th anniversary of Social Security. For eight decades Social Security has helped American workers, their families, navigate the economic challenges of life. We are able to provide a degree of economic security for them in retirement or if they become disabled. We are also what we often call the face of government for most Americans, especially for those who are vulnerable after a loss of income when they have an unexpected disability or death occurs, or when reaching retirement age. Our 80th anniversary gives us the opportunity to reflect on the incredible part our agency plays in the lives of millions of people every day. Those of us who serve in the Agency feel especially honored to have so active a role in this important milestone.

In September of this year our Agency paid Social Security benefits to almost 60 million individuals, constituting about one-fifth of the American population and serving as that basic protection to support working men and women, children, people with disabilities, and the elderly. About 168 million workers are earning Social Security coverage by paying taxes on their earnings. Workers pay 6.2 percent of their earnings to finance the Social Security system and employers pay a matching amount. More than two-thirds, or 40 million of these individuals are retired workers or their dependents. However, many workers paying into Social Security know little about how the system works or what they need to do on their own to get ready for retirement.

It is important to note that for the average worker Social Security replaces only about 40 percent of pre-retirement earnings. However, the impact is about more than just numbers. Data from the U.S. Census Bureau show that Social Security is by far the most effective poverty prevention program in the United States. Our retirement benefits and benefits from life insurance and disability insurance for working families keep 22 million American from falling into poverty. These beneficiaries include 1 million children, 15 million seniors, and 6 million adults under 65, who include early retirees, disabled workers, and widowed mothers and father caring for children or workers who have died. Few government agencies touch as many lives as the Social Security Administration, and it's the magnitude of the program, combined with the impact it has on individuals that reminds us of how valuable and valued Social Security has been since the very beginning. We are enormously proud to serve the American people in this capacity. The Social Security program has long enjoyed the overwhelming support of the nation's citizens and bipartisan political leaders. We know their confidence comes with the expectation that we will oversee and faithfully manage the resources people need us to provide.

Legislation signed by President Obama on November 2 averted a near-term shortfall in the disability insurance program. Without enactment of this small reallocation between the OASI and DI Trust Funds there would only have been in the DI Trust Fund to pay a little over 80 percent of benefits by December of next year. The DI Fund will now be able to pay full benefits into 2022. This reallocation did not change the date when reserves are depleted in the OASI Fund which remains 2034. Social Security is a family program. And the same workers and their families benefit from both funds. As we look at longer-term solutions we must remember that Social Security serves the entire family. There are survivor benefits for each child left behind, there are widow's benefits and spousal benefits, and then there are disability benefits for individuals who have disabilities and are unable to work before they reach retirement.

Social Security is not going broke. Our Agency and our programs are needed now more than ever. There is no better time than now to engage the American people in a conversation about how to keep Social Security strong. Public opinion polls conducted by nonpartisan firms show bipartisan support across demographics. Over the decades such polls have consistently reflected the faith and confidence Americans have in Social Security. Year after year significant majorities of respondents consider Social Security crucial for their economic stability and even a major source of their income in retirement. Public opinion studies show Americans value Social Security and are willing to pay more if necessary to preserve it for future generations. There is a striking agreement across age, income groups, and even across party affiliation.

While we are mindful of current and approaching challenges, we see these as opportunities to continue delivering excellent service to Americans. It is our goal to serve our customers where they want to receive service. Some come to our field offices and others prefer to use internet. Some of you may already receive Social Security benefits and others may plan to do so someday. Either way you will want a My Social Security Account to meet many of your needs. How many in the audience have a My Social Security Account? Fantastic. Okay. Now you know with the My Social Security Account you can keep track of your earnings and verify them each year, you can get an estimate of your future benefits if you're still working, you can get a replacement SSA 1099 or SSA 1042 for tax season, and you can do your Social Security statement on line, and of course get many other actions there. Soon you will be able to get at Social Security replacement card. We take the security of the public's information very seriously and continually use a proactive approach to ensure the security of our on line services. I have one myself and over 21 million people have used the portal for more than 140 million transaction. In addition to using their My Social Security Account, visitors to Socialsecurity.gov can take advantage of our on line retirement estimator to see what their benefits would be for different retirement scenarios. And this is important and we hope that more people will begin to go and use the retirement estimator. The retirement estimator estimates monthly benefits based on actual Social Security earnings. The benefit for spouse's calculator computes the effective filing for early retirement on spouses' benefits. The early or late retirement calculator computes the effects on benefit amounts if a person files for early or delayed retirement benefits. And the life expectancy calculator gives a person an idea of how long benefits may need to last. So for more information about our on line tools please visit SSA.gov/planners. Younger generations can find a wealth of information geared especially for them by going to SocialSecurity.gov and selecting "information for young people". Here they can learn about the magic of compound interest, watch an engaging video about Social Security called Social Security

101: What's In It for Me and Much More.

And I mention this about the young people because I recently had a colleague share with me that his daughter had gotten her first job and she was so excited when she got her first check. And she came home and she said, dad, who is FICA, what's this FICA? And it was just amazing that someone in this country could get a job and not realize that a portion of their wages would be taxed for the future insurance protection that Social Security affords. So we have a lot of work to do with the young people. Our Agency continues to manage the Social Security program with integrity and rigor, mindful of our responsibility as stewards of the program's trust finds, the taxpayers monies, and the public's faith in our oversight.

Now Social Security was not meant to be the only source of income in retirement. It is essential to start saving and investing as early as possible for your retirement. Most of us aspire to do more than just get by when the time comes to stop working. No matter what you earn, careful planning can help ensure that you have more than your monthly Social Security payment when you retire. By helping the public understand what they can realistically expect from Social Security -- remember 40 percent of pre-retirement earnings -- we hope to encourage more workers to get serious about putting money away for the future. And this includes taking advantage of a workplace retirement plan for those who have one available to them. Now for those who do not have an employer pension program, we're partnering with the Department of Treasury to let workers know about the President's myRA investment option. Last year President Obama announced the myRA accounts, a simple, safe, and affordable starter retirement savings account that is offered through employers and will help millions of Americans begin to save for retirement. It's an innovative financial instrument that lets low and middle income earners invest after tax dollars in government savings bonds whether or not they have access to another retirement plan. myRA will allow all workers to invest as long as their household income is below $191,000 a year. Initial investments can be as low as $25 and workers can contribute as little as $5 at a time through automatic payroll deduction. Now since it's not tied to a particular employer, workers can hold onto their myRA account when they move from one job to another. And in addition myRA is free of any fees. For more information about myRA please visit the website at myRA.treasury.gov, or myRA.gov.

We must all commit to engaging our communities in these kinds of discussions to help educate and raise awareness about Social Security and planning for retirement. I think the biggest thing that we can do is to educate and inform. When President Franklin Roosevelt signed the Social Security Act back in 1935 the nation was battling the most serious economic crisis in history. Now a lot has changed. President Roosevelt inspired us as a nation and he built for the future, we must do the same. We must act on our vision for the future, encouraging solvency for Social Security, and as individuals by saving for not just our own, but also generations to come.

Thank you again for joining us and later I'd be happy to answer your questions. Thank you. (Applause)

MR. CORDRAY: So I was very glad a few minutes ago to clap what I hope was loudest and longest for Commissioner Colvin for doing something I thought was both brave and generous, which is agreeing to work with another agency on a joint project. And when I came in Josh said to me, having a lot of experience in high positions in government himself, that this is an unusual thing. It means people have to put aside their notions of prerogative and turf and work together. And I have found that she and her team at the Social Security Administration have been great partners to us, and I hope and expect and intend that we have been great partners to you. And together we've formed a greater team that's neither your team nor my team, but our team. And today marks the beginnings of the fruits of those labors, but much more to come as we jointly work to promote the tools that we're going to talk about today.

As has been noted, and I noted that it's now in the actual Social Security

Administration logo, this year marks the 80th anniversary of the Social Security Act. As Franklin Roosevelt said in 1934 -- and when you began to quote him I was worried that you were going to use the same quote that I was going to use (laughter), but there was much in that speech apparently -- he also said, "Old age is at once the most certain and for many people the most tragic of all hazards. There's not tragedy in growing old, but there is tragedy in growing old without means of support", which is exactly what the Social Security Administration has done to ride to the rescue of so many millions of Americans over so many years now.

Actually at the time he wrote it there was not much certainty in attaining a ripe old age. Probably many hardworking people who began making their first contributions to Social Security out of their paychecks in that era were not at all sure that they would survive to reach the age threshold for receiving benefits later in life. But times have changed, as most notably have the expected life spans of the vast majority of Americans. And these changes have made Social Security all the more central to the financial lives of older Americans, more central than ever before.

It's an honor for me to be here today alongside my colleagues who are stalwart champions of our seniors and do so much to make sure they get the support they need to manage the ways and means of their lives. As we're all well aware we've recently come through the worst financial crisis since the Great Depression. Many Americans were shaken in the deeply held belief that if they work hard and act responsibly they can get ahead and retire security. Millions of Americans lost their jobs, millions lost their homes, and almost all of us lost a substantial chunk of our life savings, our retirement savings. In the aftermath of the crisis, this country had to make a new beginning. The new Consumer Financial Protection Bureau is part of that fresh start. And just like when FDR championed the Social Security Administration during the Great Depression, the Consumer Bureau is here to help make financial life more sound and more secure for vast numbers of Americans. We're very busy addressing key problems in consumer financial markets, and we're working to create a more sustainable marketplace where consumers are treated fairly, consumers are better informed, and consumers can find value and responsible and sustainable business practices.

The financial reform law that created our new agency specifically recognized the need to protect older Americans against financial exploitation and promote economic security later in life. With the rapid aging of the current baby boomer generation this mission is now more important than ever before. We are experiencing the graying of America, with statistics that have now become familiar to many of us. Forty-five million people in this country who are already at age sixty-five or older, and ten thousand more are turning sixty-five each day. They are our grandparents, our parents, our neighbors, our friends, and they're living longer, healthier lives than ever before. The average American is now spending about 20 years in retirement. I heard the other day that in 1950 the average was about 4 years in retirement. During these years they remain active consumers, they are still taking out and making payments on mortgages, they're still borrowing to buy cars and trucks, they're still accumulating credit card debt, some are even taking out student loans on behalf of their children and grandchildren. These heavier debt loads, which previous generations did not necessarily have, can threaten their economic security.

Our office for older Americans has done much great work around retirement security. Our team has traveled the country listening to seniors. Based on what we've heard, we've issued studies, guides, and advisories to arm older Americans and their caregivers with the information and tools they need to protect themselves and their precious retirement savings. The work that is focused on older Americans is in addition to the tools and resources we're developing for all consumers. For example, for those who feel disempowered by the confusing explanations offered by many financial products, we've created our Ask CFPB tool. This interactive data base now has over 1000 answers to questions most commonly asked us by consumers. When you encounter a particular issue, when it happens to rise in your own life, you can to go Ask CFPB to learn more about it and understand your rights.

Today we're adding to this set of tools and resources with Planning for Retirement, which is an interactive on line tool designed to help people as they decide when to claim their Social Security benefits. This tool, built in collaboration with the Social Security Administration, gives consumers the information and confidence they need to make a well informed choice when it comes to deciding at what age they should elect to begin taking their payments. Millions of Americans are likely to face some amount of financial insecurity in their lengthening retirement years. To a consumer when to start claiming Social Security payments is one of the key decisions they can make about their retirement. Because this is a one-time choice it's imperative that consumers can properly weigh their options with all the relevant information and factors in mind.

Americans are eligible to claim Social Security retirement benefits without any reduction -- this is where it starts to become a little complicated -- when they reach what the Social Security Administration calls the "full retirement age". For people born after 1942 their full retirement age ranges from 66 to 67, depending on the year the person was born. But consumers can begin to claim their benefits at other points as well, starting either several years before or several years after their full retirement age. The outcome is not the same, however, depending on when you opt to claim your benefits. The earlier you claim your benefits the less money you'll receive each month. If instead you wait to claim your benefits later, you actually get more money per month. Becuase this is a one-time choice the amount of each payment you will receive generally does not change later on, aside from cost of living increases. So if a consumer claims the reduced benefit now, then generally they will receive that reduced amount for the rest of their lives.

Today we're releasing a report which shows that many consumers are not taking advantage of the choices they have to get a higher lifetime income to secure their retirements. This is true in spite of the great importance of the choices that consumers can make about the timing of claiming their Social Security benefits. The report highlights the fact that many Americans are collecting early despite living longer lives. Indeed studies show that nearly half of all retirees start collecting their benefits at their earliest eligibility age, which is 62 years old. In 2013 nearly three-quarters of Americans claimed benefits before their full retirement age, and 46 percent claimed them at the first possible moment when they turned 62. Yet many Americans must now stretch those benefit payments over a longer period since those reaching the age of 65 today will live on average to age 85 and perhaps even longer if the current trends continue. This means consumers who are retiring today will likely need sufficient income and savings to cover 20 years or more that they will be spending in retirement.

One of the means that people can better understand these choices is by signing up as Commissioner Colvin said is for a My Social Security Account on line. And by the way, I have done it, my wife and I have done it, it is very easy to do. When we talk about tools the government creates for people, this is an easy tool to use. People should do that and then they have direct access to a lot of information about their Social Security that they will need and want in the coming years. The report that we are issuing today also highlights the well-known problem that many of the people who are at and near retirement age are unprepared financially. For example, four in ten of the late boomers, people like myself who currently fall in the 51-59 age range, are reaching retirement with limited or no savings and are projected to face a savings shortfall. And with declining coverage from traditional pensions plans, another notable fact of this generation, that pay a regular monthly payment, Social Security is the only guaranteed monthly income for a majority of older consumers, which means retirees are coming to rely on it more and more. In fact, approximately two-thirds of the nearly forty million Americans age 65 and older who receive Social Security benefits depend on those benefits for half or more of their retirement income. Social Security is particularly important for the growing number of beneficiaries who are age 80 and older -- father is 97 -- since it accounts for about 70 percent or more of their income. Studies have shown that the people who claim their Social Security benefits before their full retirement age typically have more limited knowledge of their benefits and available claiming options than those who claim at their full retirement age or after. Indeed, several recent studies show that many non-retirees are either confused or lack basic knowledge about Social Security. For example, one study found that only 22 percent of pre retirees knew their full retirement age, on 12 percent knew how their benefits would change if they claimed at, before, or after that age. And only about five percent of those surveyed knew how their benefits are calculated. This tells us that misunderstanding and confusion about the facts are hindering many Americans as they try to make informed decisions about this key element of their retirement futures. Yet another reason for everyone to sign up for your own My Social Security Account.

We're now undertaking novel efforts to help older Americans cope with these problems. The Consumer Bureau has worked closely with the Social Security Administration to offer the new Planning for Retirement tool that we're unveiling today. As we developed this tool we found ourselves thinking about consumers in their 50s who are starting to become more aware of their Social Security benefits. They're beginning to consider the timing of their possible decisions around retirement, such as when to stop working, when to downsize their home, and when to tap into any 401K or IRA benefits they may have built up over the years. Because many of these decisions are harder or more expensive to reverse once they have been made we found it would be important to engage people who are in their early 50s when they still have flexibility to plan head in targeting their claiming age. The bottom line is that retirement is an increasingly complex process with multiple decision points. As a result our new tool is interactive and allows people to make their own estimates based on their own circumstances. The decision they must make about when to claim Social Security requires estimates of longevity, inflation, current savings, and interest rates, and it requires calculations about planning and budgeting. That's quite a bit of complexity. With our new tool consumers can also plug in their date of birth and their highest annual work income to see their estimated Social Security benefits. By simply plugging in their information people can more easily see the trade-offs they can make in weighing key decisions, like when to start claiming their benefits, against other decisions they might make about working longer or cashing out available assets. Thus the tool enables people to consider alternative scenarios. They can assess the long range effects of this one-time decision because the tool shows how their estimated benefits will accumulate over time depending on when they first began to claim those benefits. They can also see the effects of other life factors. The tool provides tips on claiming options depending on marital status, other expected sources of income, plans for working longer, and general expectations of longevity. For example, because surviving spouses receive the higher of the two spouses' benefits it may make sense for the higher earning spouse to claim at their full retirement age or after in order to get the highest possible benefit and minimize the reduction in income that a surviving spouse may later experience.

When we designed this tool we looked at changing trends and how different consumers access information. We developed a tool that is optimized for mobile use. We also created a Spanish version of the tool because Spanish speakers are expected to be one of the fastest growing segments of the population that will be making the claiming decision by the year 2050. For this group our tool offered an additional resource to their limited sources of information on this issue.

It also matters enormously that this new tool comes from the Consumer Financial Protection Bureau, which is increasingly known as a source that offers people neutral and unbiased information. Our only goal with this tool is to inform, educated, and empower Americans to make the best decisions they can for themselves and their loved ones. We want consumers who use our tool to know and understand what it means to claim at their full retirement age versus several years before or several years after. Most people will see that even allowing their benefits to grow for one more year can make a big difference as they usually will get five to eight percent more in benefits each year they wait to claim after age 62. A higher monthly benefit may matter more when they're older. Other sources of income and savings may already be depleted, and Social Security plays a more central role in their retirement income, as we've seen that it does.

In general, consumers should engage in basic budget planning. They should be aware of how much money comes in and goes out each month. As they near retirement they should consider both their actual income and expenses before retirement, and their expected income and expenses after retirement. This can help them see how a lesser or greater level of benefits will affect their ability to meet their needs when they are no longer working. In addition, this kind of budgeting can help them decide if they need to reduce their expenses and pay off any debts before deciding to retire. Consumers may find that it pays to keep working if they can. Staying in the workforce, full or part time, even for one or two more years, can increase Social Security benefits by replacing prior years with low or no earnings. It also allows more time to save for retirement.

Alongside the Social Security Administration we want to make life better for older consumers. Both Agencies were born out of financial crises, and together we're both driven to help people put themselves in position to make the most of their financial circumstances. As the American economy continues to recover, we want consumers of all ages to be able to look ahead with hope and resilience. We want to remind them that they still have the formidable Social Security Administration working to support their economic security. But now they also have the new Consumer Bureau standing on their side and looking out for the interests as we work to help restore confidence and trust in the consumer financial marketplace. As we can see here today, this partnership makes for a great combination.

I would now like to turn it over to Gene Koo, the head of the Consumer

Engagement role at the Bureau, who will be giving us a demo of the Planning for Retirement tool. And thank you to Gene and his team, and to the Social Security Administration and our joint team. Thank you. (Applause)

MR. KOO: Thank you, Director Cordray. As Director Cordray just mentioned my name is Gene Koo and I lead the CFPB's Office for Consumer Engagements. And at the Consumer Financial Protection Bureau we provide tools and resources to help consumers make informed financial decisions for themselves and their family, and today I will be demonstrating one of those tools that Director Cordray just described to you.

As was mentioned earlier, sooner or later most consumers do have the opportunity to move from their working lives to life in retirement, and a very important decision most of us will have to make is when to start claiming Social Security retirement benefits. And deciding when to start claiming Social Security payments is critical because it affects both the monthly and the total amount of benefits that a person receives. And two out of three people who receive Social Security rely on it for more than half of their income in retirement, and yet despite how important these benefits are, many people claim them relying on limited or incorrect information. So we'll hear more from our panelists in a little bit about why that might be, but I want to share with you one way the CFPB is working to narrow this knowledge gap.

We want to make sure that consumers have access to accurate information about their monthly and lifetime benefits when claiming at, before, or after full retirement age. And we want consumers to understand the life factors that might affect their decision, including their marital status, how long they plan to work, their likely expenses in retirement, other expected sources of income, and their life expectancy. At the CFPB we want consumers to be in control of their financial lives because everyone deserves to have financial well-being in their later years.

And so this is the CFPB's newest on line resource, Planning for

Retirement. It's a simple and friendly way for consumers to consider when they might want to claim Social Security retirement benefits. We designed it using the latest research on what people need to know to make the best choices for themselves and their families about claiming Social Security. So the first thing you'll do is to enter your birth day and annual work income. And let's use a hypothetical consumer who will turn 50 today. And at present the median income for folks who are 25 and older is $32,140. And let me just pause here to point out that we're not accessing anybody's actual earnings records, and you'll notice we're not asking for any Social Security numbers or name or anything identifying them. Part of the reason is we also wanted to make this really as fast and easy for consumers as possible, and this is really an educational tool to help consumers understand the choices on their claiming age, not their exact number that they might expect to receive when they start claiming.

So one thing I learned by poking around in the Social Security Administration's website is that the most popular girl's name in 1965 is Lisa, and so we'll be calling our hypothetical consumer Lisa. There are a lot of really interesting facts in there. (Laughter) It turns out Gene is not ever in the top 100 of most popular names. Okay. So Lisa will see this interactive graph, and based on her date of birth and income, her full retirement age is 67. And her estimated monthly benefit at full retirement age can be about $1,268. And Lisa can adjust her claiming age to see what her options are and how her benefit increases and decreases based on claiming age. So, let's start and slide her claiming age down to the earliest possible option. So she can see that her monthly benefits go down to $898 and her lifetime benefits also go down to $247,848. But if she moves her claiming age up to the maximum at age 70, her monthly total benefits can be as high as $1,572 or $282,960 total by age 85.

And so we know that for many people the decision about when to begin claiming Social Security is about more than just the numbers. So in step two we provide personalized information about other factors a consumer might consider. So each of the questions here allows someone like Lisa to reflect on her own situation, whether she's married, whether she plans on continuing to work into her 60s. And as Lisa answers these questions she'll receive personalized information based on her situation, and she can read about those topics in detail, or just look at the top line summary. Other factors might include whether she thinks her expenses will decrease after she retires, whether she has savings going into retirement, and whether she expects to live a long life. We know that for many people there's a preformed idea about when they'll move from their working life to life in retirement, whether it's based on people they know or just conventional wisdom.

Now that Lisa has seen these graphs in step one and read about factors related to her situation in step two, this last step encourages her to really think about the age at which she might begin claiming. So let's say she now decides she's going to think about age 67, full retirement age. Here we show her three simple easy to remember next steps she can take to move her plans forward. And our research suggests that this final step also helps solidify what consumers have learned by going through this exercise.

We know that Spanish speakers across the country also experience the knowledge gap that I mentioned earlier. And so to reach this growing segment of the population we also made this tool available in Spanish. We also optimized this tool for consumers who are increasingly accessing the internet on mobile devices. So planning for retirement works great on both tablets and on smart phones.

In planning for retirement we're helping people avoid surprises and plan for financial well-being into their later years. When we tested this resource with consumers we found that people left with plans to talk with their spouses, began to consider savings accounts, and generally felt more informed about their options. And we're excited for everyone to have that experience. I know that a lot of you are out there are educating the public about retirement and about Social Security and we encourage you to consider sharing our Planning for Retirement tool. And if you want to learn more here's the email address that you can reach us out, CFPB_olderamericans@CFPB.gov. And we have promotional materials in the back of the room for you to share as well.

And you may know that the Spanish work for retirement is jubilación, or jubilation, which is a beautiful word to describe what many of us hope to have in our later years. (Laughter) And we hope that the CFPB's new offering will let more Americans have many jubilant years ahead.

Thank you. (Applause)

MS. SABATINO: Good morning. My name is Robin Sabatino; I'm the Associate Commissioner for the Office of Electronic Services and Technology at Social Security. And I just have to say that I think I have the best job at the Agency because I get to develop things like what I'm about to show you and work with other agencies and private sector organizations to message our applications.

Commissioner Colvin already spoke about some of the things that we do, but I just want to share with you what we have available on the portal right now. This is continually changing and expanding, but right now we have the on line statement, which before we had to request -- you got it in the mail and now it is all the time available. Actually folks who have registered for and have an account, they get a reminder email about three months before their birthday to let them know that it's there, but again they can access it at any time. Commissioner Colvin indicated we have over 21 million registered accounts. And I saw the hands that didn't go up (laughter) so I'm sure that after this third messaging of the My Social Security portal that you will want to go home and sign up yourself and get us closer to 22 million.

Change of address. Those receiving Social Security benefits can go in and change their address using the portal and not have to go into a field office or call the 800 number. The same with changing your direct deposit. You can do that on line. Check your benefits provides information on Social Security, SSI, and Medicare. The benefit verification letter. A letter you can get printing documentation that indicates whether you are or are not receiving benefits. A lot of times folks go into a field office and have to verify their benefits to apply for other types of assistance.

We're coming up on tax time and that will be a very busy time for our replacement 1099 and 1042 forms. Again you don't have to request them, you can actually get them and print them on line. And the downloadable statement, which I will speak to a little bit in depth later, but this provides the Social Security statement in a downloadable xml format that can be uploaded to other software. And then we have the Medicare replacement card. You can request a Medicare replacement card on line.

So these are the applications we currently have behind the portal and we are continuing to add things. And Commissioner mentioned one of them that's coming, that's her personal favorite I think, is the Social Security number replacement card.

So My Social Security Account, you're over the age of 18, you have a driver’s license or an ID from a participating state, you have a domestic mailing address, and you're requesting a replacement cared with no changes -- you're not changing your name, you're not getting married, those kinds of things, then you will be able to use this application. We're going to do a slow controlled roll out of this application. As Commissioner Colvin indicated, security is very important to us, so we do want to make sure that the application is secure and we want to do the roll out slowly. So we have six states that we will use during this first roll out period. And this will be released on November 28.

The next one is smart claim. You know we have several applications that are available to do through the internet. They are not yet behind the portal. Smart claim will change that. Smart claim is going to move it behind the portal, but it's also going to create a unified application so you don't have to do them all separately. It will use intelligent pathing to help you file for whatever benefits you're eligible for. This will be a multi-year effort, but in calendar '16 we will have the My Application Status, or MyApps Application behind the portal. And individuals who have already applied can go on line and check the status of their application. The next one would be my SSI. So we don't currently have an SSI application on line and that will be our first piece of smart claim. So we're very excited about this one. Moving it behind the portal will enable additional security, so therefore you will be able to get information back. So you'll get an estimate of what your benefit amount would be, we can pull in information from the estimator, from the statement, those kinds of things because you are in a secure environment. So again building on what we have.

And now that we have folks who want to do business with us on line we want to make sure they can stay there and have the tools that will help them while they're in the portal. So in '15 we released dynamic help and a secure click to call back feature. Dynamic help is when you're in the application, it engages in a couple of ways. If you're in an application and they see that you're sitting there for a while they'll give you some frequently asked questions to try to help you get through it. Or an avatar would pop up and say, you know, Carolyn, do you need help with something, because it will know who you are because of your log in and you can type in a question and then it will give you again some FAQs to along with that question. Or if it still didn't answer your question you can request for someone to call you back. So you enter your question and your phone number and someone will call you back. In '16 and beyond we have the message center. We're going to move to click to chat in calendar year '16. And we will have a message center that we can do on line notices and secure messaging, secure email. And then just a little data on dynamic help. We have gotten a lot of usage of this. We've had significant uptake on the click to call back as well. So again very interactive.

This is something that's coming and this is registration, appointment, and services for representatives. We have a huge workload in the field offices and multiple systems. This is going to pull them all in together and then feed the information into all of our downstream systems so they don't have to reenter information.

And then a little bit more information on the statement. It was a joint effort between OMB Treasury and Social Security. The data will be xml format so it can be downloaded and shared with financial planners so that they can incorporate it and pull it into their financial planning software.

And then SSA express. This is my last item. You know, we want to get out in the community and share what we have with folks, so we have three different initiatives here. Customer service stations, is a kiosk-like piece of hardware where they can actually access My Social Security and do their transactions out in the community. We have seven of these right now in a proof of concept. The satisfaction rate of folks using these out in the community is about 98 percent. So they're really happy with the service they receive. Self-help personal computers. We have over 700 of these out in the field offices where folks again instead of waiting if they want to start the work and work on the self-help personal computers they can do that as well as get some assistance in the field office from the employees. And desktop icon, we're partnering with community agencies and we put the icon on their computers so that while they're doing business, like at VA or in a social service agency, instead of going into a field office they can also do Social Security business while they're there and save them the travel.

I know I'm out of time here, so thank you. (Applause)

MR. GOTBAUM: As Director Cordray noted at the beginning the reason that we at Brookings and the Retirement Security Project were encouraged by this is because what each of these agencies is trying to do is to help people better manage their retirement before they actually retired. We're thrilled with this. I was going to ask you a couple of questions about this effort and then frankly give you a chance to talk about what else is there to be done and then we'll open it up to questions. Obviously getting agencies to work together is not easy. Give us a little background if you can. How long have you been working on this effort, how long did it take?

MS. COLVIN: Well, we believe that it's very important for agencies to collaborate. You know, the President talks about one government and we really believe that and we believe that customer service is better when we have cross agency collaboration. It took us about a year and the biggest challenge is always our assistants being able to talk to one another because generally they are developed to be able to meet our own internal needs and so being able to talk across agencies was very important, I think because we all believe in the importance of this issue. We came to the table with the idea of how do we make it work?

I would say that my experience of it has been the social security administration probably feels the one government mentality more than just about anyone else. In part because every other piece of the government is filled with employees who themselves are part of the social security system and serves the public -- different segments of the public, some of them, all the public all of whom or many of whom are themselves looking forward to and to whom social security is relevant so there's a way in which by reaching out to social security administration we found that we kind of hit the jackpot among an organization that is more externally focused and willing to work across jurisdiction lines which again as you noted Josh is not easy in government.

And again looking at your background there's other players here that are quite significant. There's the pension benefit guarantee corporation. There's the department of treasury. There's the department of labor has roles to play. The IRS has roles to play around particularly the types of IRAs and other -- of course labor has ERISA plans and the like, so it's already although it's one government there's various pieces of the government. It's already sort of a complicated tapestry for most people to try to get their hands on and another thing. I wanted to echo the commissioner's comments earlier where she mentioned the MyRA effort that is underway at Treasury. This is a savings and retirement account that is going to be open to all Americans of low, moderate and to some extent fairly high income levels, household income levels almost up to $200,000. And it will give an option.

So many people out there do not have access to retirement in the same way as full time, full salary employees do. Even at private corporations that have retirement plans for their workforce it's only accessible to some and anybody who is a part time worker or a contract worker or a seasonal worker or an intermittent worker or anybody who is not full-time, full salary typically does not have access to that and they need an ability to build toward retirement themselves. If you think about it we've talked a lot in this country in the last few years about the income inequality. That's one thing.

Multiply that through the fact that many Americans have little access to retirement through their workplace and then they have to do it on their own which is hard for many people to do through IRA accounts and the like. You have retirement inequality which is much greater. And so the tools, the kinds of things that we're working on here feel to us all the more important to the broad segment of Americans.

I would like to add though it's not just government that needs to be involved in this effort and we've been very fortunate to have our community partners -- the stakeholders, the organizations like the Women's Institute for a Secure Retirement Wiser or the American Savings and Education Council and many others that I'm not naming here. We work very closely with many of the aging organization as well as the disability organizations. We are now beginning to reach out to more of the millennium groups like the -- I forgot what the names are.

But to work with them and see how we can reach them because there has always been this discussion about intergenerational gaps and early on we had this discussion about the young versus the old and we really wanted to make sure that people understood that this was really a family benefit and therefore retirement was very important that the more the population plans for retirement the less children will have as far as responsibility to their parents. And so when we hear young people talk about will social security be there for me when I need it and that there is really no sense in planning for retirement we're able to show them that it's there for them right now, that many of them don't realize that they may experience disability early or that they may lose a spouse early.

I lost my son when he was just 34 and he left four youngsters behind, so I think it's important that we really have this partnership with government but also with the community at large and the professionals who work at this field.

MR. GOTBAUM: One of the challenges is these are complicated decisions. Neither of you has the authority to tell people what to do so how far can you go, how far should you go, what point do you -- how do you decide what's education and what's advice?

MR. CORDRAY: It's a general issue that people often misunderstand about our new agency. They have a notion that we have in mind that we're going to tell people what to do, we're going to tell them what choices to make, we're going to try to dictate choices. I don't feel that we're in position to do that. I wouldn't be comfortable doing that and it wouldn't be appropriate for me or our agency to do that. In part because people -- there may be other people who are more expert in many things, but people tend to be most expert about their own situations, their own circumstances. What we want to do is give people tools so that they can put in their own information, they can begin to see what kinds of choices they have, they can be better informed about the choices, but ultimately they can make those choices for themselves. And they have to make those choices.

Nobody else is going to care about my situation as much as I am and therefore what we try to do is empower people to be in a position to make informed choices -- that's exactly what this tool is about. It's not to lecture someone or try to dictate to them. It's go give them the sort of knowledge that you would want to have to make a decision. Most importantly so that you won't regret later that you didn't know at the time what you'd later come to know and you wish you had known it at the time and you would have made a different decision, but it's your decision.

MS. COLVIN: I would agree. These are very personal decisions and each individual circumstance is very different. We believe that it's important to give him the information about what the impact will be based on the decisions that they make, what the options are and give them as much information as they can. We're not financial advisors and I think it would be appropriate for us to attempt to advise, but I do think that there is a dearth of information out there and there is a lot of misinformation. We need to make sure that they ask the right questions and they get the answers to those questions before making a decision, because that decision is going to impact their entire future.

MR. CORDRAY: We are trying to give advice that's informational. We're not trying to give advice that's directional. Ultimately, people have to make the decision for themselves. Part of the problem here is there is no right or wrong answer about any of the questions we're dealing with today. Much of this depends on estimates and guesses that may turn out to be wrong. Am I going to live to age 85? Lots of people are now but that I will or won't and I don't know, so ultimately people have to be comfortable making the best judgment they can make given the information they have knowing that there is a certain amount of uncertainty but being best able to judge and assess that uncertainty and feel comfortable that they've given it their very best shot and that they knew enough to give it that best shot. That's all really you can ask people and that's another reason why it becomes a very personal decision people need to make for themselves.

MR. GOTBAUM: Just before I open it to questions from the audience what other efforts -- what other things can government do to help people think about these areas? For example, is the idea of more financial literacy education in elementary schools something that your agencies think about? How do you think about what additional steps you might do?

MS. COLVIN: I have the belief that we need to do more in the school system. I've already spoken to some educators about the idea of including this in the curriculum. I just had a recent meeting with the six English speaking countries and was pleased to note that this was part of their ongoing education. They believe that it is important that when our young people graduate and early years of school that they understand the importance of the social security and what other economic programs are available. I know that many of the educators I've spoken to say that their curriculum is already so full that they don't see how they could add anything else on, but I plan to begin to talk to the secretary to see if there are some kinds of things that we might do that are not now being done. As I mentioned before I think it's unthinkable that someone could get to the point where they actually have a job and not understand the basic concept of social security, how it is funded and what it means for them and so we have a lot of work to do.

MR. CORDRAY: When you raised this question I leaned in because I'm very passionate on this subject. Just the day before yesterday I was in Los Angeles giving a survey on this subject to the American Bankers Association who I feel could do much more. They are respected opinion leaders in the states at getting the states to move toward requiring a certain amount of financial education in the curriculum, particularly some financial management course among high school students in order to graduate. Some states are doing that; every state should be doing that. It is really appalling that in this country we continue to send all these young people out into the world and whatever they are going to do in life, whatever they've learned in school, they are going to have to know how to manage their financial affairs and if they don't do that well they ruin their lives and they ruin the lives of their families and they end up regretting all these things that they might have thought to handle differently. We have to do it in schools. We have to also recognize that once we get that solved and we can solve it it's just a matter of will all the adults that are not going to go back to high school -- whatever we do we are not going back to high school. They need something as well and financial education in the workplace which is a good sensible part of a broader benefits package is quite important and employers are started to get very interested in this.

There was an Aon Hewitt study that showed that 90 percent of employers expected that they were going to start moving more in this direction in the next year or two and it's high time. Something that we all worked together in the federal government -- we're all part of the social security administration and our agency and about 21 agencies are part of the financial literacy education commission that congress created and we work together to make sure that there is efforts being made in the federal government for federal employees but state governments should do it, local governments should do it and in the private sector this should be done. This should be part of -- it's one thing to talk -- what we're talking about here today with the planning for retirement tool is making sure that you optimize as best you can what money comes in. But then the question is what do you do with that money, how do you stretch those dollars further, what kind of good decisions do you make as a consumer. It's really important for people to put themselves in the best position to handle that and there's much more we can do. We have an office of financial education that is all about this effort and there is increasing attention to it among the public.

If you have a conversation with anyone anywhere across the spectrum for more than two minutes they recognize the importance of this. We're teaching high school students' history and government pretty much in all 50 states so they can be productive political citizens. They need to be productive economic citizens as well and that's critical. Half the people unfortunately do not vote, but even 100 of the people need to be able to manage their economic affairs.

MR. GOTBAUM: Let's open it up to some questions in the audience. The rule of Brookings is very simple. One is please state your name and your affiliation if it's relevant and two a question is a relatively short collection of words followed by a question mark.

QUESTIONER: The credibility. I'm Janel Connell, a federal retiree and the credibility of social security is often cited as how much money do you have and will there be in 2033. But my question is actually doesn't the verbiage about privatizing social security in the context where you have pension funds like the teamsters having to recalculate benefits. Doesn't the threat of privatization encourage people in their 50's and 60's to grab what they can now because they're afraid of what will be done legislatively in the future?

MS. COLVIN: I don't think so. The discussion on privatization I think has died down. I think people have seen what has happened with the Sage market in recent years and I think that all of the neutral and bipartisan studies that have been undertaken clearly indicate that the majority of the public is opposed to privatization. I certainly think that you can always have some degree of discussion about that, but the social security system is secure.

This is not the first time that there was some discussion about reserves being depleted for say the disability trust fund or the retirement trust fund and that's why we emphasize the fact that social security is a family program and it pays both the disability and retirement and can lead to the same worker just depending upon the circumstances. I don't think so. I think that more and more as I talk to young people we certainly have a lot of work to do. They understand that this is a basic insurance program, that they would not be able to get in the private sector and many of them are working in jobs where there is not a pension for them.

MR. CORDRAY: Okay, I don't think it's unique to that issue. I just would say I grew up in state and local government and when I came to Washington I was sad to learn that there is a lot of politicization around all of these issues and I was watching TV the other night I saw an ad from the consumer protection bureau. It was entertaining. It wasn't particularly accurate. It was politicization and that just goes with the territory and can interfere with some clear headed judgments the public would like to make. It's important for us to cut through with these kind of informative no nonsense, matter of fact tools because ultimately whether somebody's trying to make a political hay on one side of the aisle or other people need to make the choices about their lives and that's what we're focused on, that's what we should be focused on, that's what we'll continue to focus on.

MR. GOTBAUM: We're running long. Let me do a question. Lady, about halfway back.

MS. POPLIN: Hi, I'm Doctor Caroline Poplin, my last husband was Martin Slate director of the Pension Benefit Guaranty Corporation and the Clinton administration. My question is about security. The IRS is having an epidemic off ID theft and I could tell you it bleeds over into social security. Are you aware of it and are you doing something about it?

MS. COLVIN: Yes, we are certainly aware of the breeches that many governmental agencies are having. Our social security has not had a breech. We take very aggressive steps to ensure that the system is secure. We have tests on a regular basis to determine where our vulnerabilities exist and we correct them. We know that no online system is 100 percent secure. So to say that social security may never have a breech, I cannot say that to you but I think it's also important relative to how an agency or organization responds if that breech should occur, but I will tell you that online services still proves to be much secure than paper. We have certainly -- the data reflect that. I think it's something that you have to be attentive to. We spend a great deal of time testing out systems and ensuring that they are secure. And we've not had a problem to date.

MR. CORDRAY: We get that question a lot at the consumer bureau. Of course, in our case it's de-identified anonymized information. It's not very valuable to a hacker. It's valuable to researchers who want to know the direction of the economy or the direction of the consumer. It's not very valuable to somebody who wants to know your or my information because they can't even tell it's you or my information, but having said that I think we're all mindful of what we've seen and it's not all unique to the federal government. We know it's in the private sector, it's been true of some banks, it's been true of nonprofit organizations. Everybody's information is at some risk and it behooves us all to be as careful as we can about it. Nobody is missing that point.

MR. GOTBAUM: We have a panel of experts who I have opportuned to come here and so let us thank the commissioner and the director. The retirement and security project at Brookings is over a decade old. Now I'm not going to blame Brooking but I would not that over that time concerns about retirement security have gotten more and more serious. Insecurity about retirement is not limited to those who are about to retire. It is the most widely felt economic fear in the U.S. I think of this issue as kind of like the weather.

A lot of people talk about it, but precious few actually do anything. The most impressive -- I ran the Pension Benefit Guaranty Corporation for four years and I learned that the greatest source of statistics and the most depressing source of statistics was the Employee Benefits Research Institute from which I steal shamelessly but with attribution. Turns out it's only 60 percent of people who retire claim to have done any retirement planning at all. Now the question is what's planning? It turns out that less than half of all workers -- this is all from an EBRI survey -- say that they even tried to figure out what they would make when they retire. That they would try to figure out the numbers on the CFPB tool or the SSA tool. Now do we think that those 44 percent got it right? Do we think that the 56 percent somehow neglected to mention it? This is not an issue that is limited to the poor and the uneducated.

Another depressing survey was one done by Ameriprise. This was done by people close to retirement age who had investable assets of more than $100,000. Most of them were concerned about future health care costs. But most of them had never even asked what Medicare covers. And 40 percent of this group -- remember on the verge of retirement, $100,000 in assets -- a prime candidate for Ameriprise. Forty percent had no financial plan and had not bothered to estimate their retirement income. So this is not a limited issue, it's not a minor issue, is it the reason that we were glad to come and highlight the work of these agencies. Also for this reason we have invited a panel with broad expertise to discuss these issues. Their bios are available, but I'm going to talk a little bit since most of these folks I invited. Olivia Mitchell is on the faculty of Penn's Wharton School, she's executive director of the Pension Research Council, she's director of the Veteran's Center on Pensions, Retirement and Reserve. Those are only her Wharton affiliations. I'm not going to mention her work for the Social Security, the Treasury, the National Bureau of Economic Research, the University of Michigan, the Netherlands, Australia, Chile or Singapore. But you can get all of that on the website. Suffice it so say that Olivia is widely recognized as a preeminent expert on the issues of financial planning and financial literacy that concerns us today. To my immediate left, she's on my far left. To my immediate left Jonelle Marte is the Washington Post reporter for GetThere. It's personal finance site. She covers a wide range of issues, not just retirement. Wealth, credit and taxes. Previously she worked for MarketWatch on taxes and economics. Before that she wrote for the Wall Street Journal, the Boston Globe, the Miami Herald, the GetThere site says that Jonelle is nominally from New York, but actually from Miami which means she got there earlier in life than most New Yorkers.

To her left is Jean Setzfand who is the Senior Vice President for programs at the AARP. She leads AARPs educational and research efforts. Her job is both to write herself and she does plenty of that, but to develop programs to educate people on retirement planning. She's been at AARP for over a decade. Before that she was a business consultant advising asset management firms and financial institutions and started at PriceWaterhouseCoopers. She too has a Penn affiliation -- a BA in economics as well as an MBA. And so without further ado, Olivia Mitchell.

MS. MITCHELL: Thank you to Brookings Institution for including me. I really commend the cooperation between all these different institutions that we're hearing about today, especially the CFPB and the social security administration. I'm told that on the much broader set of issues that we're all working on and thinking about, I wanted to put what we heard this morning in the context of a great deal of research and learning that we've been doing over the next decade. A concert with the ORES -- the Office of Research and Economic Statistics and Social Security and many, many academics around behavioral and economic finance.

And so I'll just run very quickly through some of the learning, some of the lessons that I take again as a backdrop or a context for the tool that we heard about. So echoing Director Cordray and Commissioner Colvin I believe firmly that when to claim social security as many older Americans most important financial decisions they will ever make in their lifetimes. We cannot underestimate how critical that is. The data that I present and if you want a copy of it I'll give you a copy later, this is from the health and retirement study. This is a survey we've been doing from 1992 to the present. We've surveyed 22,000 nationally representative Americans in their 50's and we followed them through time and with their permission and with social securities help we've been able to link administrative records on their earnings and on their benefits, so we have an incredibly complete set of information on exactly what they have. What are their assets as they head into retirement?

If you can see this the red bars in the middle. Those represent from the poorest Americans to the richest Americans. And each bar is five percent of the older American populations. The red bars represent the social security benefits, the blue striped are net financial wealth so that's stocks, bonds, cash. The green is pension wealth so that would include your defined benefit, expected benefits in the future, plus your IRAs, 401Ks and the black is net housing wealth. And one thing I wanted to call your attention to is if you look at the median household, the people right in the middle that's kind of smack dab in the distribution, 40 percent of the median household's financial wealth -- sorry retirement assets consist of social security.

It's still quite important as you go to the right, that is social security is still a big factor, but if you go to the bottom two or three groups you see pretty much social security is all there is and as a matter of fact they're underwater because of credit card debt, home mortgages which exceed the values of their houses, so this I think is the first fact that we should take with us is that keeping social security strong is absolutely essential. Now we know as we saw earlier with the tool that if you delay claiming your benefits this will be buy you between six and eight percent bigger benefits per year when you finally claim say for example the following year.

Claiming benefits later is similar to buying a larger annuity with the purchase price of this annuity equal to the delay time getting the benefit a year later. If you stop working at 62 but you waited to claim until 70 your benefits would go up by 76 percent a month and a lot of people don't know that. In fact I testified before congress last year and some of the staffers and some of the members were themselves quite surprised. Plus of course you get better survivor and spouse benefits and really there isn't any better asset.

You can't really invest in a safe asset or eight percent real so it's an absolutely phenomenal thing but many people still claim early. Why? So here I wanted to point very briefly to some financial literacy research that we've been doing. Unfortunately, Americans all on the verge of retirement as well as younger and older ones are very financially illiterate. These are the so called big three questions which we've now implemented in a variety of countries around the world.

Annamaria Lusardi is my co-author. The first one and it's very simple -- let's say you have $100 in a saving account paying two percent interest a year, how much would you have in the account after five years?

Now we didn't really want to tax people too much with pulling out the calculator so we gave them three possible answers. Less than 102 which is not the right answer, equal to 102 which is also not the right answer and greater than 102. You could also say don't know or refuse. I'll show you what people said in a second. In terms of inflation we said imagine the interest rate on your savings account was one percent a year, inflation was two percent. After one year with that money in the account could you buy less than today, the same as today or more than today and obviously inflation erodes the value of your purchasing power so the right answer is less than today.

And then finally this one was the one that seemed a little bit more difficult but you had a 50/50 shot. So the question was true or false buying a single companies stock usually provides a safer return than a stock mutual fund. What's the right answer? False? Yeah, what do American say. So this is from a FINRA survey but we've done this in a number of other contexts. A lot of people get the interest rate correct, but still not everybody and these are people who have been making a lot of financial decisions over their lifetimes. Only 65 percent - close to two thirds get it correct. Inflation just a little bit less. The risk diversification question really shocked me because you had a 50/50 chance of getting it right. Fifty two percent got it right and the rest either got it wrong or a third of Americans said I don't know. And so the problem is that only half got the first two right, only 35 percent got all three. Moreover the patterns change with age. This is in the health and retirement study, people in their 50's so the interest rate question, the age 60 and younger more folks got it right. As you got older, 70 and older you got it worse and worse. Performance seems to decrease with age and that's another thing we have to be careful about. Then we also have tracked and compared financial literacy by sex. And this again is something we've seen at every country we've looked at. Typically the men are more -- blue is for boys, pink is for girls. The men are much more likely to get the answers right. The women are less likely to get the answers correct. However, what's interesting about the women is that they're much more willing to say, "I don't know." Whereas the men even when they are wrong are highly confident about the fact that they think they know the answer. We also have done other breaks which I don't have time to show you know by race and ethnicity. Typically non-whites, blacks and Hispanics perform much less well and so again financial literacy is pervasive. This could be another reason folks are claiming early. Just a couple of other thoughts in my limited time.

Another reason people have claimed early is that many financial advisors, in fact 75 percent of financial advisors believe that the right way to think about social security claiming is with the so called break even analysis. And you may not be able to read this but the typical language is something like this. If you delay claiming from 62 to 63 years old, your monthly benefit will go up. We just saw that. For example, if you claim your benefit at age 63 your benefit will increase by $103 a month to $1,625. However and this is the dreaded however clause, by delaying your benefit by one year you will forfeit $18,588 that you would have received between 62 and 63. And by the way you would have needed to have to live 15 more years for sure to get that money back. What we've shown in a number of different surveys using American Life Panel you tell people this and what do they do? They claim. They say I don't know if I'm going to live for sure 15 more years but the way you frame that presentation is absolutely important.

What can be done? One of the things that I've been looking at most recently is the opportunity to reframe the way people think about the benefit increase they get if they delay claiming. Our proposal is to say to people okay if you delay claiming instead of getting 103 extra dollars a month the rest of your life we will give you a lump sum which would be exactly equal to that $103 but it would be a lump sum instead of a life annuity payment. You'd still get the initial benefit. It's just that the gain would be presented as a lump sum. And we estimate based on our experimental research that people would delay claiming about two years. They are still getting their base benefit and they're getting their increment but they're willing to delay in order to get the lump sum. Lots of good reasons. Some people say that they do it because they might have lack of confidence in social security. Some people are just risk averse. They don't know how long they are going to live, they want the extra benefit. Interestingly a lot of people would work longer as well. The final nugget that I found interesting was the people who are currently claiming early would be the ones who would delay claiming the most and work longer if you gave them a lump sum as an alternative. By the way longer work lives could be better for social security.

Could also be better for us because there is beginning to be a lot of research suggesting that early retirement is not good for you. What works? Obviously as we heard earlier and as the commissioner and as the director talked about financial education in the schools and in the workplace is critical. There is so many decisions that people make now to put their feet on the wrong path from very -- credit card debt, payday loans, student loans, complicated mortgages. And by the way when we are talking about financial advice don't quit at retirement. People -- past and going through retirement also need financial advice to be able to not run out of money in old age.

Let me stop there. Our colleagues are going to say more and here are some of the books you can download for free if you wish from the pension research council website. Thanks a lot.

MR. GOTBAUM: Thank you. (Applause) Olivia produced slides, the rest of us can talk from here. Jonelle?

MS. MARTE: As Josh said in my job at the Washington Post I write about a lot of different topics and my focus as a personal finance writer really comes down to not only what are the challenges that people face but what can you do, what should you be doing to avoid some of these issues, to prepare and to be financially secure and whenever I write about young people and the challenges and what should young people be doing there is always this huge backlash of my stories. People are looking at it and saying that seems out of touch, how do you expect me to accomplish this, maybe 50 years ago that was realistic. Right now it's a little bit out of the question. We always have to reassess that and look at what are the baby steps or what are the small things that people can do but I also wanted to talk a little bit about why that's the reaction that I'm getting.

When you look at people today, especially if you're in your 20's or 30's you are dealing with a lot of the things that have always been challenges for people but also a couple of things that are different now. You might have come into the workforce at a time when the economy was just at the lowest point it's been in decades. If you've got a job the paycheck was smaller than usual. Also raises are a thing of the past. For now, that's getting better thankfully. The rent is high and for a lot of young people today they are dealing with student loan payments that are as high or higher than the rent check and so to save for retirement, to tell people to save for retirement is something that could be 20, 30, 40, 50, years away. It seems to be, it feels like a little bit of a luxury and so you have to think about well okay what can be done. What should you do now? When you look at well what are employers doing, that's also something that the solution seems to be put it in the hands of the worker and pensions as we know are going away. The match -- if there is one it's minimal and it's just a responsibility that people are intimidated by. They don't know where to start. There is a lot of discussion about fees and how those fees can eat into people's retirement savings. In the long run you may not even have a good understanding of what the fee are and so in terms of the solutions that have been more promising it seems to be really centered around making it as easy as possible for people to save using the inertia that a lot of consumers face around these issues and making it work in their favor somehow by doing it for them, automatic enrollment or making it as easy as possible. Part of that of course is access to retirement plans as we've been discussing today. If you are low income or if you have a part time job as people do today you might not even have a plan to begin with so the first step is getting people access to a plan and then making it as easy as possible for them to sign up and participate. A lot of what I write about too, look at automatic enrollment. That's not enough. A lot of times people are being started at rates that are very low. Most of the time you hear about three percent saving rate. We all know here that that's not enough, realistically. Some companies push the envelope there getting people started on much higher rates and in some cases you see that they stick with it. You put someone in a plan, have them save even as much as nine percent or more, their pay and I think you see that sometimes people -- once it's done for them they will stick with it, if it's made easy and of course this is part of the ongoing discussion. There are more things that need to be done.

MR. GOTBAUM: Jean?

MS. SETZFAND: Thank you. I want to thank Brookings, Josh and also the Consumer Financial Protection Bureau and also Social Security Administration for inviting me to this conversation today. Director Cordray referenced this earlier there are 10,000 baby boomers retiring every single day and it's not just for this year. It's actually going to carry on for the next 15 plus years. So it couldn't be timelier for us to talk about this today and into our distant future. This was also alluded to by many of our speakers today. Planning for retirement is a very complicated path. People are really not wired to do this for many reasons. Retirement is a long ways today so it's in the distance and we know that future decisions are always harder and just unrealistic. It doesn't feel real to many people. It's not as simple as -- life is no longer a simple equation either. There's so many uncertainties in life. The new normal is several jobs, marriage, likely divorce and a much longer life as well. There are several demands on our money and we know that AARP that college savings actually is sidelining many of our members' retirement security.

Money matters are complicated and I love to tell the story. I come from a family of two. My sister and I. She's a doctor and I've been in the money field for many years. Mind you my sister is an OBGYN. My father will ask her just about any medical question under the sun, mostly urological. Money matters? Not a question for me.

It's really interesting that money matters also from a behavioral standpoint on individuals is something that's very secret and very individualized I would say -- I would argue with my sister often times -- that the capital markets are just as complicated as brain surgery in many ways right? And yet people won't seek help on these issues whereas for health matters it's much easier. Having said all that in terms of difficult decisions individuals are actually forced to be in the driver's seat today whether they like it or not, so these are all the factors that are working against them. I don't think it's a surprise that 10 years ago -- roughly 10 years ago beginning at the retirement security project here at Brookings AARP also started looking at these key decisions for consumers and we realized that a couple of really important key decisions made the biggest impact in the long term. Social security claims decisions by far is one of the biggest. Retirement assets -- how to accumulate assets as well as wind that down, pay yourself on those assets also very critical. What to do with your home, also another important aspect and work which AARP often calls the new retirement is probably the last key decision. As we conduct a lot of research and also looked at the experience interacting with our members one of the most stark things that we discovered in terms of the when consumers actually go out and do financial planning on their own for retirement begins at the age of 58 and 59.

If we again leave it to the individuals to do it on their own more often than not it's too late and more often than not it's not enough for us to actually just work with individuals. Again AARP has been really focused not only on individual education but also working with employers as well as the government to really build an environment that's ripe for helping individuals make the best decision. Let me tell you a little bit about our experience working with individuals. Since we were actually dealing with adults in education the key difference between adult education versus child education is that it's voluntary. They will only use education quite honestly when it's just in time, when they need that information to make a decision. Much of what we do is try to be there just in time in order to educate. We look for trigger events. Social security is one of the most universal decisions right?

That's one of the key reasons why education around that period is so critical. I really applaud the CFPB for focusing in on that. Some other triggers that are important that are reoccurring that we love, taxes, open enrollment, those again -- we want to be in the stream of decision making when it comes to those circumstances. One of the other things that we also learn because there aren't enough life triggers is creating false triggers. Incentive based decision making is really effective.

We've been using sweepstakes quite honestly for the past couple of years and it has been a very interesting way for us to teach. The past couple of years for a prize of $50,000 we get on average about half a million people engaging with us over a three month period.

In those three months we actually see them taking six different actions. Interesting enough, not only can we just take advantage of life triggers. Maybe sometimes we have to create those triggers on our own. Some of the things that we've learned from our experience also that have been alluded to as well. First lines of information is really what motivates decision making because again it's making real that decision. So the more that you personalize it, bring it into the individual circumstances with calculators really helps motivate action.

Also another interesting thing that we've learned because we've been pressing this whole issue of money with folks and I applaud Jonelle with her work of personal finance columns, but often times how we get to money issues is not actually talking about money. It's around life adulthood education versus childhood education, life is our school. So the more that we can be in the course and the stream of life and teaching them the better it is. And lastly this has been talked about before too, all these circumstances bring us to reality.

The more that we can do that the better we can educate. Jonelle alluded to this before, so I won't talk a lot about work place efforts, but really workplace savings is the best way to actually accumulate assets. If you have an employer plan you are 15 times more likely to save than you are if you don't have a plan, so the more that employers can actually provide a plan, so giving access to their employee is important. Very important and also optimizing those plans are also critical as well. Making it easy and also accumulating at the right contribution levels and having cost effective options also critical. This whole notion of fees and understanding investment fees so difficult.

Just to give you another anecdote we have multiple tools on our AARP site and we roughly spend about the same investment marketing them. Around investment fees and our fee calculator I got 5,000 people using it whereas normally we have millions of users. So very odd, again, very irrational decisions around fees and not understanding them. So let me just wrap up there by saying that not only is it important for us to understand consumers in order to educate them but creating the environment to help them make those decisions are critical and we're about to engage further on that topic.

MR. GOTBAUM: Let me just ask a couple of questions. One of the points that Jonelle raised is an effort by states. Eugene talked about the importance of having work place savings.

Jonelle mentioned the fact that several states are trying to balance and require mostly small business, but businesses that don't have anything to use their payroll system and have their be automatic payroll deduction into some sort of retirement savings plan. I'd be curious as to what Jean and Olivia think about that effort.

MS. MITCHELL: We're in strong support of that. Again using the state solutions like Illinois Secure Choice efforts is a good step in the right direction to help small -- encourage small businesses to provide access to employer based savings through a payroll deduction which again is the facilitator to accumulate assets. It's an important step forward. I think MyRA is another effort down that path. The more again we can get a more employer based savings, I think that is a critical key to helping employees really accumulate those assets.

MS. MITCHELL: I have mixed feelings about the state plans. I'll be honest. Pretty much every state plan wants to avoid the oversight of ERISA which is the federal legislation governing pensions. And I know why they want to avoid it -- because it's costly, there is mountains of regulation, there is fiduciary obligations and so and so on. On the other hand there is a reason that ERISA obligations are important because they do protect the saver, they try to make sure that he or she who designs the investment menu does a good job. The other question that I raise is that people who don't have retirement plans now are probably going to have very small accounts. At least for a long time when they first get started and it's not obvious to me that the right vehicle would be a market place based retirement account which some of the states are talking about. A different approach might be to say let's go with the MyRA national scheme which is going to be invested extremely conservatively but only up to a point where one has, I believe, $15,000. And at that point then I think it would be possible and beneficial for the individual to take the money and roll it over into some sort of a marketplace managed account. But I think that sort of double two-step process would work better than having every state invent something new when you already have a pretty good idea out there which is the MyRA.

MR. GOTBAUM: Part of the challenge. This is something which outside of my role as moderator I've spent a lot of time working on, part of the challenge is Olivia, that in exchange for requiring participation by employers whether it's just saying to the businesses that don't offer anything you have to open up your payroll system, part of the reason why states have been reluctant to adopt ERISA is that these are all employers who've basically offered nothing. Had the option of offering an ERISA plan and not taken it and so I think the states are making an implicit trade off which is in order to get mandatory auto enrollment I'm accepting a lesser standard.

Now one thing that is important to note, is that the department of labor has noticed this challenge too and has announced -- actually the president announced that the department of labor would issue guidance to enable states to do both and so I'm hoping this one goes on.

Let me ask kind of a general question: everybody admits this is complicated. Everybody admits that a lot of people -- not everybody, the people in this room of course are exceptions but a lot of people don't do it. Is retirement too complicated to leave to individuals? Do you have to go to a mandated system like social security in order to actually get people to save? What's your view, Jonelle?

MS. MARTE: It seems like a combination effort seems to be the best approach, yes people should save, yes you should make it as easy as possible for them to save, but with wages being low for many people, the fact that it is complicated and the risk out there in the market to leave it up to the individual completely we're not ready for that yet, it doesn't seem. To increase savings but to still have something else like social security in place or to at least until we're at the point where people are prepared to and really know that this is a part of their financial plan, to encourage them into -- sort of put them in the habit as easily as possible I think is hard.

MR. SETZFAND: I have to agree with Jonelle. I think just because a decision is too complicated I don't think you take away the control of that right away through more of a controlled solution, so I think a tiered approach is probably right, but there's an interesting thing that I think we're observing around default systems as well as individual controls. What I'm referring to is in the 401K world as auto features become more popular, which again we're very much in favor of, one of the things that we're also seeing as a byproduct, not a great byproduct is that we have more, kind of, folks asleep at the wheel so to speak. Zombie investors because they are more passive again. Feeling like okay this is taken care of, I can forget about it, I don't have to be responsible for it anymore.

That's actually not a good thing, right? Just because we have a system that facilitates savings I think we have to be just as adamant in trying to educate folks because we want them to be engaged, we want them to know what's going on. And lastly I'll say retirement for individuals is so individualized today. We talked about the complexities. There's far fewer standards in terms of how people lives, so I think a lot of those issues really complicates matters but at the same time individuals really do need to have control over their life and their decisions.

MS. MITCHELL: My mantra is work longer, save more and expect less. And I think that's the reality for all of us in the room, our children and our children's children. I think successful countries that are going to be able to deal successfully with population aging will have to have a social safety net that's inevitable, but how much more the countries can afford above and beyond that is going to vary across the world. The biggest area where I think we haven't focused enough in the U.S. is around the decumulation phase. We are doing pretty good with auto-enrollment and target data funds. We are doing a good job helping people diversify their investment. But we have a giant gap which is how to help people not run out of money in retirement. To me that's very high on the priority list.

MR. GOTBAUM: I'm a fan. Let's open it up to questions from the audience. Remember the Brookings rule, identify yourself and your statement should end with a question mark. Jason.

MR. FICHTNER: Good morning, my name is Jason Fichtner, I'm with the Mercatus Center at George Mason University and one of the themes this morning we've seen is sort of the importance of the claiming decision and when people make the claiming decision. And the importance of framing that information as well. And we've started seeing this discussion of how can we change and incentivize people to claim later without doing anything in the law. So for example we have the early eligibility age -- age 62 and I think people look at that and see the word early and go I can retire early so I should do it earlier. We have the full or normal retirement age which statistically is not normal and mathematically is not full, because you can get greater benefits now at 70. Should we change the nomenclature so that age 62 should be called the reduced retirement age, forget 66 and 67 and just talk about 70 being the full or maximum retirement age just for framing purposes alone.

MR. GOTBAUM: I assume hidden in there was the question what do you think?

MS. MARTE: I was talking with other people that do the same thing that we do with this same topic a few weeks ago and that was one of the thoughts which is maybe the full retirement age should be marketed as 70 and we call 67 something else, but 62 being -- and it sort of comes back to what Olivia was talking about if you frame it a little bit differently people might -- the connotation is really important.

MS. MITCHELL: Let's not forget however that 70 may not be the age at which we are able to let people retire in the future. The problem I think is throughout our whole tax and benefit system we have all these weird ages, so you no longer have to pay a penalty if you take money out of your IRA or 401K at 59 and a half. Where'd that come from. We have 62 for early retirement. Why?

Sixty five was the old normal, but we know that wasn't really normal. I think we need a very nice review and overhaul of how we use ages and the messages that people take from these ages and probably we shouldn't cap folks out at 70 either. In other words if you continue to work after 70 and don't take your benefit then why not get a delayed claiming benefit after that? So I would just take age out of the whole thing and structure the benefits as makes sense.

MR. GOTBAUM: Any other reactions?

MR. BARTHOLOMEW: So social security is a great inflation indexed annuity, people, sorry, Ed Bartholomew. Representing myself. Social security is a great inflation indexed annuity that we talk about, but for somebody who's retiring after 2034 should they really consider whatever numbers they get off of the mysocialsecurity website to be what they are actually going to get, given that we know that either taxes are going to have to be raised or the cost of living taken away or reduced or benefits reduced.

MS. MITCHELL: I wish the commissioner were still here. I think she left. What would you say?

MS. SETZFAND: Social security is a fundamental element of retirement security, so in many ways I think we always have to really consider that as the foundational piece. I think the more that you question that it actually starts to erode it faster. So from an AARP standpoint we always want to consider how you again fortify, secure and insure and that's our foundation into perpetuity, so I think that's what I would say in response to your question.

MS. MITCHELL: I worked with a lot of financial advisors. We teach them in our education programs are Wharton. Probably teach 1,000 of them a year and I tell you what I tell them. I say first of all nobody knows whether current benefits will continue to be paid given that current projected revenue is insufficient to meet those bills. I say as a risk manager what you ought to be doing is presenting different scenarios to your clients.

One option would be to say assume the current scheduled benefits do get paid. What that's going to mean is somebody is going to have to pay a lot more in taxes. Another option is assume that the benefits don't grow as much as they would otherwise so that they can just live within the current projected revenue. And so then benefits would have to be cut by about a third. And also it's not zero, a lot of folks think benefits won't be there at all for me and I have to say no, that's incorrect.

But there is a range where we just don't know what the future is and they think it's responsible to discuss the range.

MS. EDELSON: I'm Harriet Edelson I'm representing myself today and I write for a couple different newspaper, but okay. If you look at when the social security benefits would be cut in 2034, the people who are around 60 or 61 or 62 or 65 will be in their 80's. If those benefits do get cut, those people don't go back to work, most people do not go back to work at 85. So what I'm suggesting or asking -- my question is how can you set out, not necessarily an alarm but lobby or do whatever is necessary to see that that problem doesn't arrive at the time when all these 10,000 a day are turning 65 and then will then be about 85. Can anybody address what can be done then? That's my question.

MR. GOTBAUM: As a matter of public finance there is always an opportunity when you are talking about base load programs to fund them and historically that has been the decision. It was the decision in the budget bill a few weeks ago. I'm not sure that anybody in the panel is the right person to discuss what are the options for -- actually Brookings had a discussion of that a couple weeks, but if you want to go back in time. But I think the notion that -- I'm not sure this is the right group to discuss those questions. Over the next 30 years how will the nation decide to fund its seniors through social security. I would note that for the last 80 it has chosen to do so by paying taxes on those who are still working and the idea that somehow the world is going to change has yet to be evidenced in this or any other developed nation.

MS. MITCHELL: I just put a little asterisk and a footnote there because we do know that the 1983 Greenspan Commission that had to deal with social security insolvency, there are about three months of money left to be able to keep benefit checks being paid so that was a big crisis back then and they did raise the revenues coming into the system by raising taxes but they also cut benefits and they cut them respectively in the sense that people who were going to be retiring in the future would be able to claim their full benefits later. They also changed the inflation indexing.

We can't say benefits have never been cut because that's certainly not the case. We do know that there are opportunities to also raise financing. I think what I would do is hey we have a presidential election coming up. I would put the feet of every one of those candidates to the fire and say what are you planning to do? Let's do it now with some anticipation so I don't have to be 85 years old and facing a big benefit cut. I think that's the honest thing I would do.

MR. GOTBAUM: It is noon, which is when I promised folks we would stop. It's very clear that this is a subject in which if the commissioner had stayed or if Director Cordray who did stay were still on the podium, we could be asking questions for a long time, to say nothing of our panelists. So let me do some and these are issues which are going to be ongoing. Let me start by thanking Sarah Holmes and the AV staff hear at Brookings and the facility staff who put this together. (Applause) In addition, the staffs of the social security administration and the CFPB did one of the hardest thing it is to do which is to work with somebody outside your agency. And so I want to thank them for bringing this together and making that possible. (Applause) I want to thank our panelists and I want to thank Commissioner Colvin who had to go and Director Cordray who stayed for making this possible. Keep it up. (Applause)

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