Reaction to “A Retirement Dashboard for the U.S.”

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“New Tools for a Better Retirement: Dashboards and Tontine Solutions for Americans”
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My critique is twofold:

• The dashboard proposal goes too far.

• The anticipated impact may be a trifle rosy.
The U.S. does need a national pension registry.

- It creates a national lost and found, which means no more lost accounts.

- It allows people to see all their assets at one time, which would reduce cashouts.

- The data are already readily available.
But the proposal goes too far, advocating for:

- Financial education and advice
- A tool to consolidate IRAs and 401(k) balances
The financial education effort is unnecessary.

- The authors propose endless “educational material” and calculators.
- But every American does not need to become a financial expert.
- The authors themselves caution against overwhelming users with too much information.
- And going beyond narrow registry generates private sector resistance.
The system should be simple enough so that people can follow a few basic rules:

• Delay claiming Social Security as long as possible.

• Take full advantage of any employer-sponsored plan by:
  o contributing enough to get the full match; and
  o investing in a target date fund.

• Think of your house as a financial asset.

• It’s not rocket science.
A “one-button” account consolidation tool could be dangerous.

- Introspection

- More generally, the push to consolidate will shift money from 401(k)s to IRAs, which have:
  - fewer regulatory protections,
  - more potential conflicts of interest, and
  - higher fees.

- Allowing people to consolidate by a push of a button will get them in trouble.
Don’t oversell the impact of a dashboard.

- Lost accounts are only a small fraction of total balances.
- Coverage, not leakage, is the reason for small account balances.
Total assets are in trillions, lost accounts are in millions.

Private Retirement Assets by Plan, Trillions of Dollars, 2019 Q4

Coverage, not leakage, is the reason for low balances.

Impact of Immature System, Inconsistent Contributions, Fees, and Leakages on 401(k)/IRA Balances for a Typical Worker Ages 55-64 in 2014

Conclusion

• The bottom line is “yes” to a national registry.

• But no need to clutter it with “educational” material and financial tools.

• And no “one-button” for account consolidation.

• Let’s keep it really simple.

• And don’t oversell the potential impact of the initiative.