

At a Glance | August 27, 2018

Stemming the Tide: Reducing Retirement Savings Shortfalls Through Auto-Portability

RETIREMENT READINESS

The majority of American households are projected to have what they need in retirement, though there is room for improvement.

Percentage of Households Projected to Not Run Short of Money in Retirement¹

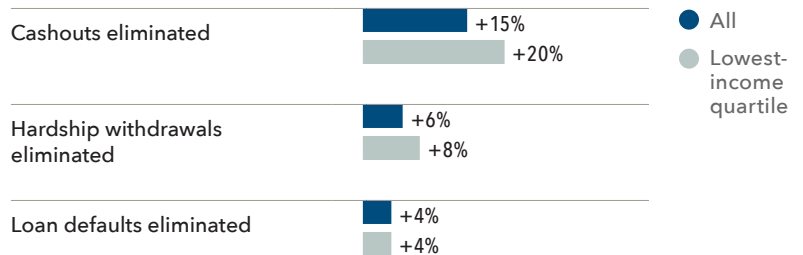


THE COST OF CASHING OUT

Leakage takes a toll on workers' ability to meet retirement goals. Cashouts are by far the most destructive, particularly among lower-income participants.

Eliminating cashouts would help an additional 20% of young, lower-income workers achieve retirement success.²

Additional Percentage of Participants, Aged 25-29, Who Could Achieve an 80% Real Replacement Rate If Leakage Was Removed³

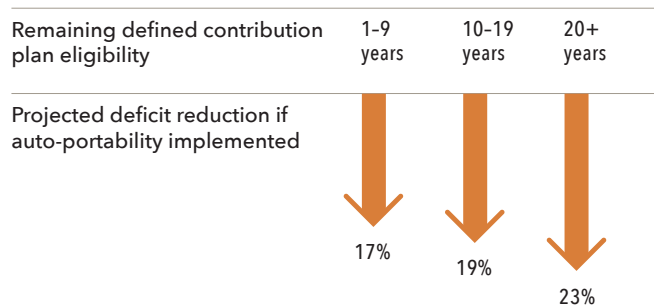


Note: Results do not consider that workers, knowing that monies would not be available for cashout, loan, or hardship situations, might reduce or cease plan contributions

AUTO-PORTABILITY REMEDY?

Auto-portability reform could help mitigate retirement deficits by stemming outflows. The impact would be most significant for younger workers with more time to benefit from the cessation of cashouts.

Reduction in Participants' Retirement Shortfall With Auto-Portability in Place⁴



1. Assumes long-term care costs are included on a stochastic basis and that households deterministic retirement expenditures will be a full 100% of the average costs for retirees in their income- and family-status cohorts. 2. Retirement success is defined as achieving an 80% real replacement rate from combined Social Security and 401(k) accumulations. 3. Ages 25-29 with 30+ years of simulated eligibility for 401(k) plan participation. Assumes retirement at age 65, all 401(k) balances converted into a real annuity at purchase price of 18.62, plans have automatic escalation with a 1% of annual compensation increase and 3% default contribution rates. Employees are assumed to revert their level of contributions to the default rate when they participate in a new plan and opt-out of automatic escalation in accordance with the probabilities in VanDerhei (September 2007). 4. Percentage reductions in 2014 Retirement Savings Shortfall with long-term care costs under auto-portability for households headed by individuals ages 35-64. Assumes no leakage from the auto-portability system.