Retirement Income: Research in Practice
Designing an income solution

- What do “not running out of money” or “safe income” mean?
  - Annuitize everything?
  - Why do managed payout funds not satisfy?

- Use of lifetime income guarantee
  - Hu and Scott [2007]: “Behavioral Obstacles in the Annuity Market”
  - Scott [2008]: “The Longevity Annuity: An Annuity for Everyone?”

- Desire for liquidity
- Desire for potential upside
- Desire for bequest

All validated with participant research
Income+ design led by research

Managing for income

- Protect from market, rate changes
- Potential growth opportunity
- Flexible cash flows
- Payouts for life\(^1\)

For illustrative purposes only.
\(^1\) Lifetime income guarantee requires out-of-plan annuity purchase. Issuer minimum req
Social Security

- **When to claim?**
  - No simple rule of thumb; most households leaving a lot on the table
  - BBA 2015 rule changes

- **Proprietary Social Security optimization engine**
  - Personalized recommendations for claiming strategies
  - Singles, couples with different ages & earned benefits
  - Explicitly model longevity uncertainty
  - Report improvement in expected lifetime benefits
What’s next?

- What decisions do people need the most help with?
- What are the biggest mistakes retirees make?
Frontier research (1)

- **Pension distribution choice**
  - Bronshtein, Scott, Shoven, Slavov [2016]: “Leaving Big Money on the Table: Arbitrage Opportunities in Delaying Social Security”

- **Is optimal retirement spending flat?**
  - Ebrahimi [2019]: “Spending Patterns of Older Households” and “How Do Retirees' Spending Patterns Change Over Time?”
  - Scott, Shoven, Slavov, Watson [in progress]: “Can Low Retirement Saving be Rationalized?”

- **Optimal portfolios for taxable and tax-advantaged accounts**

- **Tax-efficient drawdowns**
  - Sumutka, Sumutka, Coopersmith [2012]: "Tax-Efficient Retirement Withdrawal Planning Using a Comprehensive Tax Model”
Optimal long-term care planning

- Brown and Finkelstein [2007]: “Why is the Market for Long-Term Care Insurance So Small?”
- Davidoff [2008]: “Illiquid Housing as Self-Insurance: The Case of Long-Term Care”
- Zhou-Richter, Browne, Grundl [2010]: “Don’t They Care? Or, Are They Just Unaware? Risk Perception and the Demand for Long-Term Care Insurance”
- Ameriks, Briggs, Caplin, Shapiro, Tonetti [2018]: “The Long-Term-Care Insurance Puzzle: Modeling and Measurement”